

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 154

June 6, 1958

STATUTE OF LIMITATIONS: EFFECT OF REVOCATION OF A CORPORATION'S EXEMPT STATUS

Syllabus:

The statute of limitations does not run on years in which a corporation was previously considered exempt from taxation regardless of whether an information return (Form 199) was filed. However, the statute of limitations does begin to run from the due date or from actual date of filing of an unrelated business income return (Form 190).

During the period of its exempt status a corporation filed both information and unrelated business returns under Sections 23771 and 23772 of the Bank and Corporation Tax Law. Later it was discovered that the corporation was never entitled to an exemption and that complete returns reflecting the corporation's entire income were due for prior years. Advice is requested regarding what statute of limitations applies to the years in question.

The wording of Section 23731 and Regulations 23731-23732b(3) establishes that although the tax on unrelated business income is authorized under Chapter 4, it is actually imposed under Chapters 2 or 3 of the law. Since the tax is actually imposed under the provisions of Chapters 2 and 3, the same statute of limitations apply to such returns as apply to other returns filed under those chapters.

With regard to the balance of taxpayer's income, however, no statute of limitations has begun to run. An information return is not a return for the purpose of the statute and thus does not start the limitation period. John Danz, 18 TC 454. Since no returns have been filed to cover the balance of taxpayer's income, returns including this income may be requested at any time.