



STATE OF CALIFORNIA  
**Franchise Tax Board**

# **Administrative Dissolution Programs**

**For Nonprofits, Corporations and LLCs**

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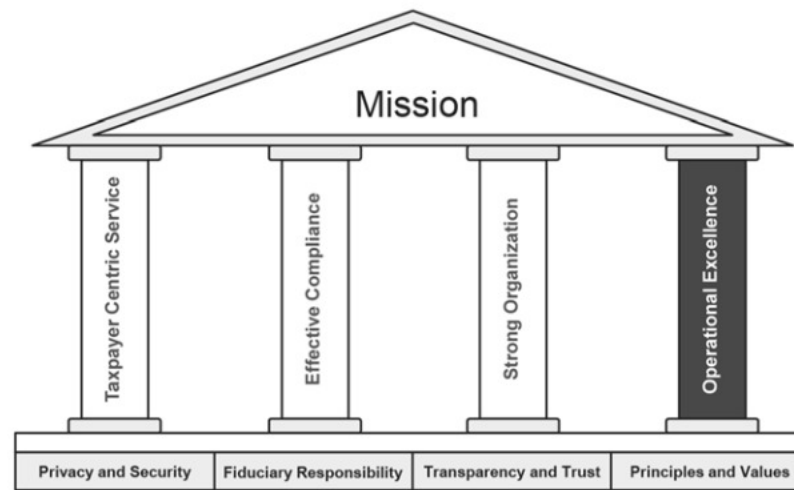
March 14, 2019

# Administrative Dissolution Programs

## Strategic Goal #1

### Taxpayer Centric Service:

Enhance our services to help taxpayers fulfill their tax obligations



# **Administrative Dissolution Programs – Nonprofits**

## **Lifecycle of Compliant Nonprofits**

### **Creation**

- Register with Secretary of State (SOS)
- Apply for Exemption with Franchise Tax Board (FTB)
- Register with Attorney General (AG)

### **Compliance**

- Regularly file with SOS, FTB, AG

### **Dissolution**

- Approval from Nonprofit's Board and AG
- File to Dissolve with SOS

# **Administrative Dissolution Programs – Nonprofits**

## **Non-Compliant Nonprofits**

Non-Compliance Leads to:

- Suspension
- Loss of tax exempt status
- Taxes assessed as general corporation

Path to Resolution:

- File corporation tax returns
- Pay back taxes
- Dissolve

# **Administrative Dissolution Programs – Nonprofits**

## **Non-Compliant Nonprofits**

### **Magnitude of the Problem**

- 140K Suspended Nonprofits

### **Resolution**

- Collaborated with AG, SOS and taxpayer community
- Legislation passed January 1, 2016

# **Administrative Dissolution Programs – Nonprofits**

## **Implementation of New Program**

- Collaboration Partnership: FTB, SOS, AG
- Three New Paths for Nonprofits to Dissolve
  - Short Form Dissolution – Created in Error
  - Voluntary Dissolution – Taxpayer Initiated
  - Administrative Dissolution – FTB Initiated
- Community Education and Outreach

# **Administrative Dissolution Programs – Nonprofits**

## **Success Metrics**

- **Short Form**
  - 2,500 successfully dissolved by SOS
- **Voluntary Dissolution to Date**
  - Over 1,700 requests received – 90% approved
  - Almost 900 successfully dissolved
- **Administrative Dissolution to Date**
  - Over 64,000 Dissolved
  - 160 Getting Back into Compliance

# **Administrative Dissolution Programs – Corps & LLCs**

## **Background**

- December 2015 Taxpayers' Bill of Rights Hearing
- Collaborative Efforts: FTB, SOS and Go-Biz
- Legislative Proposal drafted in 2017
- Assembly Bill 2503 (September 2018)



# **Administrative Dissolution Programs – Corps & LLCs**

## **Implementation of New Program**

- Two New Paths for Administrative Dissolution
  - Voluntary Dissolution – Taxpayer Initiated
  - Administrative Dissolution – FTB Initiated

# **Administrative Dissolution Programs – Corps & LLCs**

## **Implementation of New Program**

- **Voluntary Dissolution**
  - Partnership with SOS
  - Outreach efforts
  - Successfully implemented on time, January 1, 2019
  - Statistics to date
- **Administrative Dissolution - Coming January 2020**

# Questions?