



Exempt Organizations – Guide for Political Organizations

General Information

Qualified political organizations, under California Revenue and Taxation Code (R&TC) Section 23701r, are considered exempt from income taxes and are not required to file California Form 3500, *Exemption Application*.

Take the following steps to determine:

- Step 1 – Type of Qualifying Political Organization
- Step 2 – Filing Requirements
- Step 3 – Exempt Determination Letter Requirements

Step 1: Type of Qualifying Political Organization

The law defines “political organization” as a:

- Party.
- Committee.
- Association, fund (whether or not incorporated), or other organization.
- Individual candidate’s trust or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions, making expenditures, or both, for an exempt function as defined in the section.
- Newsletter Fund – A fund maintained by an individual for the purpose of preparing and circulating the individual’s political newsletter is determined to be a political organization. The individual must be an incumbent or candidate for nomination or election to public office.

A qualified political organization does not include organizations formed primarily to support or oppose ballot measures, propositions, legislation, electors, etc., whether or not such individual or electors are selected, nominated, elected, or appointed.

Qualified Activities

Exempt Function – Influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any federal, state, or local public office or office in a political organization; or the election of presidential or vice-presidential electors, whether or not such individual or electors are selected, nominated, elected, or appointed.

Step 2: Filing Requirements

Income Types

Exempt Function Income – Exempt function income is not subject to tax.

Exempt function income includes any amount received as:

- A contribution of money or property.
- Membership dues, fees, or assessments.
- Proceeds from political fundraising or entertainment events.
- Proceeds from the sale of political campaign materials, under the condition that the organization did not receive such proceeds in the ordinary course of any trade or business and are segregated and used solely for the exempt function.

Nonexempt Function Income

The first \$100 of nonexempt function income is not subject to tax. Receipts in excess of \$100 are subject to tax and must be reported by filing California Form 100, *California Corporation Franchise or Income Tax Return*. In the case of a Newsletter Fund, the specific \$100 deduction is not allowed.

Nonexempt function income includes, but is not limited to:

- Interest.
- Dividends.
- Rents.
- Royalties.
- Gains on property sales (whether or not received as a contribution).
- Income from any trade or business.

Nonexempt Function Income/Individually Controlled Funds

Income	California Form Required	
	Form 199	Form 100
\$100 or less	No	No
\$100 or more	No	Yes

Due Date

You must file California Form 100 on or before the 15th day of the 4th month after the close of your organization’s taxable year. For example: If its taxable year ends on December 31, the due date is April 15. If the due date falls on a weekend or state holiday, file by the next regular business day.

Tax Rate

Use the general corporate tax rate to compute the tax. Tax-exempt organizations are not subject to the minimum tax.

Extension of Time to File

The extension allows you more time to file the tax return, not an extension of time to pay any taxes that may be due.

We will grant an automatic six-month extension to file a return if both of the following conditions exist:

- Your organization is not suspended on the original due date.
- You file your organization’s return on or before the extended due date.

Penalties

- **Estimate Tax Penalty**—Political organizations are not required to make estimate payments and are not subject to the Estimate Tax Penalty.
- **Delinquent Return Penalty**—If you do not file your entity’s income tax return by the extended due date, we impose a penalty of 5 percent of the tax due, after applying any payments and credits made on or before the original return due date, for each month or part of a month the return is late. The maximum penalty is 25 percent. We impose the penalty from the original due date of the return (R&TC Section 19131).
- **Underpayment and Monthly Penalty**—We impose a penalty if you do not pay the total amount due shown on your entity’s return by the original due date. The penalty is 5 percent of the unpaid tax, plus 0.5 percent of the unpaid tax for each month or part of a month it remains unpaid. The maximum penalty is 25 percent of the unpaid tax (R&TC Section 19132).

Step 3: Exempt Determination Letter Requirements

If	And	Then
Incorporated	Refer to Contact Us for our mailing address.	Mail us: <ul style="list-style-type: none"> • A written request for an <i>Exempt Determination Letter</i>. • A description of the organization’s proposed activities. • A copy of the articles of incorporation.
Unincorporated/Fund controlled by an individual	California Form 100 required	Attach a brief description of the organization’s activities to the form.
	No California Form 100 required	No <i>Exempt Determination Letter</i> required.

Contact Us

Web: ftb.ca.gov

Phone: 916.845.4171 7 a.m. to 4:30 p.m. weekdays, except state holidays

TTY/TDD: 711 or 800.735.2929 for persons with hearing or speech impairments

Mail

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