

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 315

August 25, 1966

FINANCIAL CORPORATIONS – RIGHT OF OFFSET BY COOPERATIVES

Syllabus:

Under Section 23184 financial corporations may deduct certain offsets from their franchise taxes. Where the financial corporation is a cooperative or mutual organization, the profitable business with nonmembers is subject to franchise tax. In such cases the direct expenses of the entire business are segregated as between the portion attributable to business with members and the portion attributable to profitable business with nonmembers. In addition the nonmember income is also chargeable with a proportion of the corporate general overhead.

Offset items provided in Section 23184 appear to be in the nature of corporate general overhead. Accordingly the cooperative may deduct under Section 23184 the same proportion of the total offset paid as general overhead expenses are attributable to the profitable business done with nonmembers.