



STATE OF CALIFORNIA
FRANCHISE TAX BOARD - Legal Branch
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FTB NOTICE 2001-7

LIMITED LIABILITY COMPANY FEE FOR 2001 AND THEREAFTER

Section 17941 of the Revenue and Taxation Code¹ requires every limited liability company (LLC) that is not classified as a corporation for California franchise or income tax purposes, and that is organized, registered, or doing business in this state, to pay an annual tax of \$800 for the privilege of doing business in California. Section 17942 requires every LLC subject to tax under section 17941 to additionally pay an annual fee based on total income from all sources reportable to this state for the taxable year.

Prior to the enactment of AB 898 (Stats. 2001, ch. 391), section 17943 required the Franchise Tax Board (FTB) to conduct an annual study to determine whether the act authorizing the creation and recognition of LLCs resulted in a net gain or reduction in state income and franchise tax revenues. If there is a net gain or reduction in such revenue, the FTB, after a public hearing, was required to increase or decrease the amount of the fees imposed under section 17942 to offset the computed revenue gain or loss. In accordance with those provisions, FTB Notice 2001-5 announced the annual fees applicable for 2001.

AB 898 amended section 17942, repealed former section 17943, and added a new section 17943. These revisions eliminated the annual FTB study and annual fee adjustment, and, for taxable years beginning on or after January 1, 2001, revised the amount of the annual fee and the computation of total income for purposes of determining the applicable fee. Since the fees announced in FTB Notice 2001-5 are no longer applicable, FTB Notice 2001-5 is superseded.

Pursuant to section 17942, as amended by AB 898, the LLC annual fee for taxable years beginning on or after January 1, 2001, is as follows:

<u>LLC Fee</u>	<u>Total Income</u>
\$ 900	\$250,000 or more, but less than \$500,000
\$ 2,500	\$500,000 or more, but less than \$1,000,000
\$ 6,000	\$1,000,000 or more, but less than \$5,000,000
\$11,790	\$5,000,000 or more

For further information regarding this notice, contact Patrick Kusiak at the address above.

¹ All further statutory references are to the Revenue and Taxation Code.