



## Bill Analysis

Author: Irwin

Sponsor:

Bill Number: AB 2221

Related Bills: See Legislative  
History

Introduced: February 19, 2026

### SUBJECT

Charitable Fundraising Platforms: Good Standing Requirements

### SUMMARY

Under the Government Code, beginning on or after January 1, 2027, this bill would remove the requirement that charitable fundraising platforms verify whether an organization's tax-exempt status has been revoked by the Internal Revenue Service (IRS) or the Franchise Tax Board (FTB).

This analysis only addresses the provisions of the bill that would impact the FTB's programs or operations.

### RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

### SUMMARY OF AMENDMENTS

Not applicable.

### REASON FOR THE BILL

The reason for this bill is to eliminate the requirement for charitable fundraising platforms to verify an organization's tax-exempt status.

### ANALYSIS

This bill would change the definition of "good standing" for purposes of the online solicitation rules by removing the requirement that charitable fundraising platforms verify whether an organization's tax-exempt status has been revoked by the IRS or FTB. Charitable fundraising platforms would only need to confirm that an organization is not prohibited by the Attorney General (AG) from operating or soliciting in California.

*Effective/Operative Date*

This bill would be effective and operative January 1, 2027.

*Federal/State Law*

The Internal Revenue Code (IRC) provides rules for organizations conducting specified activities to be exempt from federal income tax. Upon application, the IRS reviews and can grant organizations a tax-exempt status. A tax-exempt organization can be a trust, an unincorporated association, or a nonprofit corporation.

California state law treats organizations that are federally tax-exempt under IRC section 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), 501(c)(7), or 501(c)(19) as tax-exempt under state income tax law if the organization submits to the FTB form FTB 3500A, Submission of Exemption Request, with a copy of its federal tax-exempt determination letter. California also grants tax-exempt status to an organization if the organization is operated for one or more exempt purposes as listed in the Corporate Tax Law (CTL). For the state exemption, the organization must submit a completed form FTB 3500, Exemption Application, with all required documentation for the FTB to grant the state tax-exempt status.

Current state law provides that the AG oversees charitable fundraising platforms. A charitable fundraising platform is as any person, corporation, unincorporated association, or other legal entity that uses the internet to provide an internet website, service, or other platform to persons in this state, and performs, permits, or otherwise enables acts of solicitation to occur. A charitable fundraising platform is required to register with the AG's Registry of Charities and Fundraisers, under oath, and is required to file annual reports.

A platform charity uses a charitable fundraising platform to then solicit donations for itself or to grant donations to recipient charitable organizations. Both charitable fundraising platforms and platform charities are permitted to solicit donations or distribute funds only to organizations that maintain good standing. A platform charity or recipient charitable organization is considered to be in "good standing" if its tax-exempt status has not been revoked by the IRS or FTB and it is not barred from soliciting or operating by the AG. To determine good standing, a charitable fundraising platform or platform charity may rely on electronic lists periodically published by the IRS, the FTB, and the Attorney General's Registry of Charities and Fundraisers.

*Implementation Considerations*

None noted.

*Technical Considerations*

None noted.

### *Policy Considerations*

The FTB has identified the following consideration and is available to work with the author's office to resolve this and other considerations that may be identified.

Typically, taxpayers who donate to charitable organizations online using reputable platforms trust that those organizations are valid, verified tax-exempt organizations and therefore their contributions are legally tax-deductible. By removing the requirement that an online platform verify an organization's tax-exempt status has not been revoked by the IRS or the FTB, this bill could create confusion for taxpayers who may mistakenly believe they can deduct contributions made to organizations that do not actually qualify for tax-exempt status. This could result in more burden and uncertainty on taxpayers confirming the organization's tax-exempt status before donating or claiming charitable donation deductions on their tax return.

### **LEGISLATIVE HISTORY**

AB 2084 (Bauer-Kahan, 2025/2026), would, under the CTL, upon an organization's notification of a federal suspension or revocation, allow the FTB the discretion to retain an organization's state exempt status under certain circumstances for taxable years beginning on or after January 1, 2027. This bill is currently in the Assembly Revenue and Taxation Committee.

AB 1318 (Bonta, Chapter 451, Statutes of 2025), under the GOV expands the definition of a "qualified nonprofit organization."

SB 834 (Wiener, et al., 2021/2022) would have, under the CTL, required the AG to notify the FTB of any finding that a tax-exempt organization was actively engaged in, or incited the active engagement in, illegal activities, as defined. The bill would have restated the FTB's existing authority to revoke the tax-exempt status of an organization found to be in violation. SB 834 was vetoed by the governor whose veto message stated in part,

"This bill allows the FTB to revoke the tax-exempt status of a nonprofit, charitable organization if the California Attorney General determines the organization has engaged in treason, insurrection, conspiracy, government overthrow, or mutiny by members of the military. Without question, extremist groups that participate in anti-government acts such as those that took place during the insurrection on January 6, 2021, should be renounced and investigated for their participation. However, these are issues that should be evaluated through the judicial system with due process and a right to a hearing."

### **PROGRAM BACKGROUND**

None noted.

## **OTHER STATES' INFORMATION**

None noted.

## **FISCAL IMPACT**

FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

## **ECONOMIC IMPACT**

### *Revenue Estimate*

This bill as introduced on February 19, 2026, would not impact the computation of state income or franchise tax.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

## **LEGAL IMPACT**

None noted.

## **EQUITY IMPACT**

None noted.

## **APPOINTMENTS**

None noted.

## **SUPPORT/OPPOSITION**

To be determined.

## **ARGUMENTS**

To be determined.

## **LEGISLATIVE CONTACT**

[FTBLegislativeServices@ftb.ca.gov](mailto:FTBLegislativeServices@ftb.ca.gov)