

AMENDED IN ASSEMBLY MARCH 29, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 897

Introduced by Assembly Member Houston

February 22, 2007

An act to ~~amend Section 23701 of~~ *add Section 23701m* to the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 897, as amended, Houston. Taxation: tax-exempt organizations: administration.

The Corporation Tax Law, in modified conformity to federal income tax laws, exempts various types of organizations from the taxes imposed by that law, provided that those organizations satisfy certain specified requirements, including a requirement to apply for tax exempt status with, and be approved by, the Franchise Tax Board and to pay a filing fee, as provided.

This bill would delete that requirement *as it applies to certain specified organizations*, and instead, would provide that an organization, as defined, ~~is shall be~~ exempt from state taxes ~~if it had filed an application with, and is approved by, the Internal Revenue Service for tax-exempt status, as provided, upon its submission to the Franchise Tax Board a copy of the notification issued by the Internal Revenue Service approving the organization's tax-exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code, as specified.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 23701m is added to the Revenue and
2 Taxation Code, to read:

3 23701m. (a) (1) Notwithstanding subdivisions (a), (b), and
4 (c) of Section 23701, an organization organized and operated for
5 nonprofit purposes in accordance with the provisions of Section
6 23701d shall be exempt from taxes imposed by this part, except
7 as provided in this article or in Article 2 (commencing with Section
8 23731), upon its submission to the Franchise Tax Board of a copy
9 of the notification issued by the Internal Revenue Service approving
10 the organization’s tax-exempt status pursuant to Section 501(c)(3)
11 of the Internal Revenue Code.

12 (2) If, for federal income tax purposes, an organization’s
13 tax-exempt status under Section 501(c)(3) of the Internal Revenue
14 Code is revoked, the organization shall notify the Franchise Tax
15 Board of the revocation, in the form and manner prescribed by
16 the board. Upon notification, the board shall rescind the
17 organization’s tax-exempt status for state income tax purposes.

18 (b) This section shall not be construed to prevent the Franchise
19 Tax Board from revoking the exemption of an organization that is
20 not operated in accordance with this chapter or Section 501(c)(3)
21 of the Internal Revenue Code.

22 (c) The Franchise Tax Board may prescribe rules and
23 regulations to implement this section.

24 SECTION 1. Section 23701 of the Revenue and Taxation Code
25 is amended to read:

26 23701. (a) An organization that is organized and operated for
27 nonprofit purposes within the provisions of a specific section of
28 this article, or is defined in Section 23701h, relating to certain
29 title-holding companies, or Section 23701x, relating to certain
30 title-holding companies, is exempt from taxes imposed under this
31 part upon approval of its application for tax exempt status filed
32 with the Internal Revenue Service pursuant to Section 501(c) of
33 the Internal Revenue Code, as amended.

34 (b) The Franchise Tax Board may issue rulings and regulations
35 as are necessary and reasonable to carry out the provisions of this
36 article.

O