

AMENDED IN SENATE JULY 3, 2007
AMENDED IN ASSEMBLY MAY 3, 2007
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 23701d of 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, shall be exempt from state taxes, as provided, upon its submission to the Franchise Tax Board of 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 23701d of the Revenue and Taxation
2 Code is amended to read:

3 23701d. (a) A corporation, community chest or trust, organized
4 and operated exclusively for religious, charitable, scientific, testing
5 for public safety, literary, or educational purposes, or to foster
6 national or international amateur sports competition (but only if
7 no part of its activities involved the provision of athletic facilities
8 or equipment), or for the prevention of cruelty to children or
9 animals, no part of the net earnings of which inures to the benefit
10 of any private shareholder or individual, no substantial part of the
11 activities of which is carrying on propaganda or otherwise
12 attempting to influence legislation, (except as otherwise provided
13 in Section 23704.5), and which does not participate in, or intervene
14 in (including the publishing or distribution of statements), any
15 political campaign on behalf of (or in opposition to) any candidate
16 for public office. An organization is not organized exclusively for
17 exempt purposes listed above unless its assets are irrevocably
18 dedicated to one or more purposes listed in this section. Dedication
19 of assets requires that in the event of dissolution of an organization
20 or the impossibility of performing the specific organizational
21 purposes the assets would continue to be devoted to exempt
22 purposes. Assets shall be deemed irrevocably dedicated to exempt
23 purposes if the articles of organization provide that upon
24 dissolution the assets will be distributed to an organization which
25 is exempt under this section or Section 501(c)(3) of the Internal
26 Revenue Code or to the federal government, or to a state or local
27 government for public purposes; or by a provision in the articles
28 of organization, satisfactory to the Franchise Tax Board; that the
29 property will be distributed in trust for exempt purposes; or by
30 establishing that the assets are irrevocably dedicated to exempt
31 purposes by operation of law. The irrevocable dedication
32 requirement shall not be a sole basis for revocation of an exempt
33 determination made by the Franchise Tax Board prior to the
34 effective date of this amendment.

35 (b) (1) In the case of a qualified amateur sports organization—
36 (A) The requirement of subdivision (a) that no part of its
37 activities involve the provision of athletic facilities or equipment
38 shall not apply.

1 (B) That organization shall not fail to meet the requirements of
2 subdivision (a) merely because its membership is local or regional
3 in nature.

4 (2) For purposes of this subdivision, “qualified amateur sports
5 organization” means any organization organized and operated
6 exclusively to foster national or international amateur sports
7 competition if that organization is also organized and operated
8 primarily to conduct national or international competition in sports
9 or to support and develop amateur athletes for national or
10 international competition in sports.

11 (c) (1) Notwithstanding subdivisions (a), (b), and (c) of Section
12 23701, an organization organized and operated for nonprofit
13 purposes in accordance with this section shall be exempt from
14 taxes imposed by this part, except as provided in this article or in
15 Article 2 (commencing with Section 23731), upon its submission
16 to the Franchise Tax Board of a copy of the notification issued by
17 the Internal Revenue Service approving the organization’s
18 tax-exempt status pursuant to Section 501(c)(3) of the Internal
19 Revenue Code.

20 (2) If, for federal income tax purposes, an organization’s
21 tax-exempt status under Section 501(c)(3) of the Internal Revenue
22 Code is revoked, the organization shall notify the Franchise Tax
23 Board of the revocation, in the form and manner prescribed by the
24 Franchise Tax Board. Upon notification, the board shall revoke
25 the organization’s tax-exempt status for state income tax purposes.

26 (3) This subdivision shall not be construed to prevent the
27 Franchise Tax Board from revoking the exemption of an
28 organization that is not organized or operated in accordance with
29 this chapter or Section 501(c)(3) of the Internal Revenue Code.

30 (e)

31 (4) The Franchise Tax Board may prescribe rules and regulations
32 to implement this ~~section~~ *subdivision*.

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