

ASSEMBLY BILL

No. 2523

Introduced by Assembly Member Cunneen

February 21, 1996

An act to amend Section 7284.1 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2523, as introduced, Cunneen. Local business license taxes: nonprofit organizations.

Existing law authorizes counties and cities to impose business license taxes and fees. However, it provides that no business license fee or tax measured by income or gross receipts and levied under those authorizations, whether by a charter or general law jurisdiction, shall apply to any nonprofit organization that is exempted from taxation by certain state or federal statutes, or the successor of either, or apply to the clergy of any religious organization that is exempt from federal income tax under a certain federal statute or a successor statute.

This bill would additionally provide that no charter or general law city, county, city and county, or special district may impose any business license tax or fee on any nonprofit organization, as specified.

This bill would make certain legislative findings and declarations regarding the imposition of local business license taxes and fees on nonprofit organizations.

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

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

1 SECTION 1. The Legislature finds and declares all of
2 the following:

3 (a) California has specifically created certain
4 requirements in order to be eligible for tax-exempt status
5 under Article 1 (commencing with Section 23701) of
6 Chapter 4 of Part 11.

7 (b) There are approximately 120,000 public benefit,
8 mutual benefit, and religious benefit nonprofit
9 organizations chartered by the Secretary of State.

10 (c) These nonprofit organizations provide a large
11 variety of health, human, charitable, and religious
12 services to the residents of this state, many of which are
13 provided in the public interest so as to obviate the need
14 for public agencies to provide those services.

15 (d) The voters of California adopted Proposition 176 in
16 1994, which amended Section 26 of Article XIII of the
17 California Constitution to exempt nonprofit
18 organizations from any business licensee tax or fee
19 measured by income or gross receipts that is levied by a
20 county or city, whether charter or general law, a city and
21 county, a school district, a special district, or any other
22 local agency.

23 (e) Section 7284.1 was enacted to implement the
24 provisions of the constitutional amendment and was
25 designed to prevent any business licensee fees from being
26 imposed upon any tax exempt nonprofit organization, as
27 well as upon any minister, clergyman, Christian Science
28 practitioner, rabbi, or priest of any tax exempt religious
29 organization.

30 (f) The Attorney General issued Opinion 94-1204 on
31 August 23, 1995, which concluded that a city or county
32 may impose a business licensee tax upon a nonprofit
33 organization if the tax is not measured by the
34 organization's income or gross receipts.

35 SEC. 2. Section 7284.1 of the Revenue and Taxation
36 Code is amended to read:

37 7284.1. (a) No license tax or fee levied by a charter or
38 general law county, city and county, or city, or by a



1 district or any other local agency, that is measured by the
2 licensee's income or gross receipts, shall apply to ~~any~~
3 ~~nonprofit organization that is exempted from taxes by~~
4 ~~Chapter 4 (commencing with Section 23701) of Part 11 of~~
5 ~~Division 2 of the Revenue and Taxation Code or~~
6 ~~Subchapter F (commencing with Section 501) of Chapter~~
7 ~~1 of Subtitle A of the Internal Revenue Code of 1986, or~~
8 ~~the successor of either, or to any minister, clergyman,~~
9 Christian Science practitioner, rabbi, or priest of any
10 religious organization that has been granted an
11 exemption from federal income tax by the United States
12 Commissioner of Internal Revenue as an organization
13 described in Section 501(c)(3) of the Internal Revenue
14 Code or a successor to that section.

15 *(b) No charter or general law city, county, city and*
16 *county, or special district may impose any business*
17 *licensee tax or fee on any nonprofit organization that is*
18 *exempted from taxes by Chapter 4 (commencing with*
19 *Section 23701) of Part 11 of Division 2 of the Revenue and*
20 *Taxation Code or Subchapter F (commencing with*
21 *Section 501) of Chapter 1 of Subtitle A of the Internal*
22 *Revenue Code of 1986, or the successor of either.*

