

AMENDED IN ASSEMBLY MAY 9, 1996  
AMENDED IN ASSEMBLY MAY 2, 1996  
AMENDED IN ASSEMBLY APRIL 15, 1996

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2523**

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**Introduced by Assembly Member Cunneen**

February 21, 1996

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

LEGISLATIVE COUNSEL'S DIGEST

AB 2523, as amended, 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 provide that no charter or general law county, city and county, or city, nor any special district or any other local agency, may impose any business license tax or business license fee on any nonprofit organization, as

specified, and that no local flat business license tax or fee shall apply to clergy subject to the existing exemption from business license taxes and fees.

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 license 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 license 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.



1 (f) The Attorney General issued Opinion 94-1204 on  
2 August 23, 1995, which concluded that a city or county  
3 may impose a business license tax upon a nonprofit  
4 organization if the tax is not measured by the  
5 organization's income or gross receipts.

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

8 7284.1. (a) No license tax or fee levied by a charter or  
9 general law county, city and county, or city, or by a  
10 district or any other local agency, that is measured by the  
11 licensee's income or gross receipts, *nor any flat business*  
12 *license tax or flat business license fee*, shall apply to any  
13 minister, clergyman, Christian Science practitioner,  
14 rabbi, or priest of any religious organization that has been  
15 granted an exemption from federal income tax by the  
16 United States Commissioner of Internal Revenue as an  
17 organization described in Section 501(c)(3) of the  
18 Internal Revenue Code or a successor to that section.

19 (b) No charter or general law county, city and county,  
20 or city, nor any district or any other local agency, may  
21 impose any business license tax or business license fee on  
22 any nonprofit organization that is exempted from taxes  
23 by Chapter 4 (commencing with Section 23701) of Part  
24 11 of Division 2 of the Revenue and Taxation Code or  
25 Subchapter F (commencing with Section 501) of Chapter  
26 1 of Subtitle A of the Internal Revenue Code of 1986, or  
27 the successor of either.

28 (c) Nothing in this section shall prohibit a charter or  
29 general law county, city and county, or city, or special  
30 district or any other local agency from imposing a fee to  
31 cover the costs of a program or service.

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