



NONPROFITS: CALIFORNIA FRANCHISE TAX BOARD

California Administrative Dissolutions

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In early January of last year, the California Franchise Tax Board and the California Secretary of State launched something brand new designed to clear a lot of nonprofit organizations that are no longer operating off their rolls.

California nonprofit public benefit, mutual benefit, religious, and registered foreign nonprofit corporations are now subject to administrative dissolution (California nonprofit corporations) or administrative surrender (registered foreign nonprofit corporations) if the entity's corporate powers have been suspended or forfeited by the California Franchise Tax Board for at least 48 continuous months.

Once initiated by the California Franchise Tax Board, the nonprofit corporation has 60 calendar days to act before the corporation administratively is dissolved/surrendered permanently.

Now, a rather large list of proposed dissolutions/surrenders has been released – and boy, there are A LOT of nonprofits on the list posted on July 26th, 2017! In fact, there are almost 10,000 organizations that are set to be dissolved by the state of California within the next 60 days if they do not (1) "Pay and Return to Active Status"; or (2) "Submit an Objection and Get a 90 Day Extension." So, what does that mean for the organizations who turned up on this list?

Well, if you're no longer operating, and just want the state to let your organization die quietly – it's really great news. Upon administrative dissolution or administrative surrender, the dissolution action abates the nonprofit corporation's outstanding liabilities for qualified taxes, interest, and penalties. But... what if you're still operating and just not paying all that much attention to filing pesky Statements of Information with the Secretary of State or informational returns with the Franchise Tax Board and you get administratively dissolved? Well... that's a different kettle of fish. But it's a kettle we're familiar with. If you find yourself in this situation, give us a call.