



State of California

Franchise Tax Board

Exempt Organizations Filing and Compliance – General Information

FTB 932

916.845.4171

Overview

- Application Process
- Filing Requirements
- Audit, Suspension, and Revocation
- Resources

Application Process

Application Process

To receive tax-exempt status in California, an organization must file **one** of the following with the Franchise Tax Board:

- Form 3500, *Exemption Application*.
- Form 3500A, *Submission of Exemption Request* - for organizations that have already been granted tax-exempt status by the Internal Revenue Service (IRS)



Application Process – Form 3500

- State which California R&TC section they are applying for.
- Answer questions on SIDE 1 through SIDE 8.
- Complete the *Specific Section Questions* listed for the R&TC section they are applying under.
- If applicable, complete Schedule A (churches), Schedule B (hospitals) or Schedule C (credit counseling organizations)

The following must be attached:

- \$25 Application fee, payable to the Franchise Tax Board.
- Copy of organization’s creating document.
- Copy of organization’s bylaws or proposed bylaws.

Application Process – Form 3500A

For organizations that have never had California exemption

- Answer questions in Parts I, II, and III
- Attach a copy of the federal determination letter received from the IRS granting exemption under Internal Revenue Code Sections 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), 501(c)(7), or 501(c)(19).

The effective date of California exemption will be the date of exemption as listed on the federal determination letter.

If the federal effective date is later than the incorporation date, the organization should consider filing Form 3500.

Application Process

FTB treats Form 3500 and Form 3500A as:

- A revivor request if the organization is suspended.
- A request for reinstatement of exemption
(Must file Form 3500)
- A claim for refund.

Once exemption is granted, Form 3500, Form 3500A, and all supporting documents become open to public inspection.

Filing Requirements

Filing Requirements

Tax-exempt organizations may have to file one or more of the following:

- **Information Returns**
 - Form 199 – *California Exempt Organization Annual Information Return*
 - FTB 199N – *California e-Postcard* – Available online only
- **Income Tax Returns** (to report taxable income)
 - Form 109 – *California Exempt Organization Business Income Tax Return*
 - Form 100 – *California Corporation Franchise or Income Tax Return*

Filing Requirements – Information Returns

All organizations must annually submit an information return to the FTB except for the organizations that have received California exemption as:

- a Church
- a Political Organization under 23701r
- a Pension Plan or IRA

Filing Requirements – Information Returns

199 or 199N?

- Form 199 is required to be filed annually for organizations with total gross receipts (including pledge income). “normally” above the minimum amount (aka filing threshold).
- FTB 199N is filed for organizations whose normal income is at or below the minimum amount (aka filing threshold).
- Currently Threshold is \$50,000.
- The term "normal" means an average of up to 3 years.
- Private Foundations and Nonexempt Charitable Trusts must file Form 199 regardless of income amounts.



Filing Requirements – Form 199 Filing Fee

Organizations pay a \$10 fee if they file and pay on time.
(The fee is \$25 if they file and/or pay late.)

Exceptions to Form 199 filing fee:

- Exclusively religious or controlled by a religious organization.
- A school.
- A publicly supported charitable organization.

The fee exception must be requested by checking the appropriate box on Form 199.

There is no fee to file FTB 199N

Filing Requirements – Due Dates & Penalties

- Form 199 or FTB 199N must be filed 4½ months after the close of the organization's tax year.
- An automatic 6 month extension is given to file Form 199 if the organization is not suspended on the original due date.
- FTB imposes a \$5 per month late penalty if an organization does not file Form 199 by the extended due date.
- The maximum penalty is \$40.
- There is no penalty assessed for filing a late Form 199N.
- Organizations that fail to file their Forms 199 or 199N for three consecutive years may have their exemption revoked.



Audit, Suspension, and Revocation

Franchise Tax Board Audits

Franchise Tax Board conducts audits of nonprofit organizations for a variety of reasons. While we generally cannot disclose the reason an organization was selected, the following will help you navigate the audit process:

1. Read correspondence carefully.
2. Call if you don't understand.
3. Maintain adequate records.
4. Respond promptly.
5. Request additional time if needed.

Franchise Tax Board Suspensions

Reasons for FTB suspension include:

- Failure to file a return.
- Nonpayment of balance due.
- Failure to pay a penalty imposed by the Secretary of State (collected by FTB) for failure to timely file a Statement of Information with SOS. (see next slide)

Organizations that are FTB suspended will have their tax-exempt status revoked, and will need to re-apply for exemption.

Secretary of State (SOS) Suspensions

Reasons for SOS suspension include:

- Failure to file a Statement of Information with SOS.
- File this form online through SOS website at sos.ca.gov
(HOA's must file their Statements of Information in the mail.)

SOS Suspensions are automatically reported to FTB.

Organizations that are SOS suspended will have their tax-exempt status revoked by FTB, and will need to re-apply for exemption.

Attorney General's Office, Registry of Charitable Trusts

Charities and organizations with charitable assets may be required to register and file with the Attorney General's (AG) Office, Registry of Charitable Trusts (RCT).

Organizations that fail to comply with RCT requirements are reported to FTB and may have their tax-exempt status revoked.

Resources:

- FTB Exempt Forms and Publications
- Exempt Organizations Webpage
- Contact Information

FTB Exempt Forms and Publications

- *Pub. 927 – Introduction to Tax-Exempt Status*
- *Form 3500 - Exemption Application*
- *Form 3500A - Submission of Exemption Request*
- *Pub. 1077 – Guidelines for Social and Recreational Orgs*
- *Pub. 1068 - Exempt Organization – Filing Requirements & Fees*
- *Form 199 - California Exempt Org Annual Information Return*
- *FTB 199N - California e-Postcard – Online only*
- *Form 109 - California Exempt Org Business Income Tax Return*
- *Form 100 - California Corporation Franchise or Income Tax Return*

Exempt Organizations

Website: ftb.ca.gov and search “charities”.

The Exempt Organizations Unit webpage includes:

- What’s new
- Filing requirements
- Tax-exempt process
- Exempt forms and publications
- Exempt organizations list
- Revoked exempt organizations list
- Links to other agencies you may be required to file with

Webpages are continuously updated with new information.

Contact Information:

EXEMPTS ORGANIZATIONS UNIT MS F120

FRANCHISE TAX BOARD

PO BOX 1286

RANCHO CORDOVA CA 95741-1286

For more information, call FTB's Exempt Organizations Unit at **916.845.4171**, weekdays, 7 a.m. to 4:30 p.m., except state holidays.

Or go to ftb.ca.gov and search for **charities**.