

MARCH 23, 2017

California Franchise Tax Board and Secretary of State Publish First Batch of Delinquent Nonprofits to be Automatically Dissolved or Surrendered.

The California Franchise Tax Board (FTB), in conjunction with the California Secretary of State, **published** on March 1 the **first batch** of approximately 5,000 nonprofit corporations that will be administratively dissolved (for California nonprofit corporations) or administratively surrendered (for foreign nonprofit corporations registered in California) exactly 60 calendar days after March 1 (which falls on Sunday, April 30) if they do not take certain steps to address the situation. (We **blogged about the law** authorizing these administrative procedures in 2015.) The list includes only nonprofit corporations that have been suspended or forfeited by the FTB for 48 continuous months. It is not clear how frequently the FTB and the Secretary of State will update the Notice of Pending Administrative Dissolution/Surrender.

As detailed on the **web page** maintained by the Secretary of State, corporations on the list have two ways during the 60-day period to avoid administrative dissolution/surrender after the period has elapsed: the entity can satisfy all current obligations with the FTB (e.g., by paying accrued taxes, penalties, and interest with the FTB and presumably filing past returns that were never submitted) and make sure it has a current Statement of Information on file with the Secretary of State; or it can submit an objection in writing to the FTB's Exempt Organizations Unit at the address given on the website and obtain up to two 90-day extensions to resolve the situation.

In addition to publishing the notice on the Secretary of State's website, the FTB sends a letter to the last mailing address on file of each affected nonprofit corporation to notify it of the pending administrative dissolution or surrender. If the FTB has no valid address on file for an entity, it is not legally required to provide notification beyond the publicly posted notice. *Consequently, if your organization has been delinquent for at least four years, it is critical to check the publicly posted list even if you have not received any notice from the FTB.*

Automatic dissolution/surrender results in abatement of the nonprofit's California taxes, interest, and penalties, but it does *not* relieve the former corporation—or, crucially, its directors—from liability to creditors or from Attorney General enforcement measures.

RELATED CATEGORIES

- Attorney General, IRS, Franchise Tax Board, and Property Tax Proceedings
- Formation & Tax Exempt Status
- FTB
- Nonprofit Governance & Ethics

AUTHOR



Steven R. Chiodini
Of Counsel

ABOUT OUR BLOG

Nonprofit Law Matters looks at legal issues in the nonprofit and tax-exempt organizations world. Written by the attorneys and paralegals of Adler & Colvin, it provides updates and analysis regarding philanthropy, charity, and other exempt organization issues.

EDITORS



Eric K. Gorovitz
Principal