

FEBRUARY 8, 2013

Two New California Laws Benefiting Nonprofits

Over 800 [new California laws](#) went into effect this January. Two of them — SB 1341 and AB 2641 — directly affect nonprofit organizations, and are intended primarily to aid organizations in maintaining compliance with state regulations.

[SB 1341](#) provides an opportunity for nonprofit organizations that have neglected to file required reports with the Attorney General to correct their delinquent status before being penalized. Previously, the law permitted the Franchise Tax Board (“FTB”) to revoke the state exemption of a charity that had failed to file its required reports once the Attorney General notified the FTB of the delinquency. In addition, the law required that the organization pay the minimum franchise tax of \$800 for each year that its exempt status was revoked. Loss of state exemption could cost thousands of dollars in back taxes, as well as taxes on future activities while the exempt status is revoked.

Many, if not most of these delinquent organizations were not even aware that such a requirement existed.

The new law requires that the FTB mail a notice to the delinquent organization stating that it will revoke its state tax exemption unless the organization files all past and currently due documents within a period of 120 days. If the organization complies within the applicable period, then it will not be required to pay past taxes. For those organizations that do not comply within the applicable period, and whose exemption is revoked, exemption may still be reestablished by filing and paying specified statements and fees.

In the words of the Legislature, SB 1341 “serves a public purpose of encouraging charitable corporations to come into compliance with filing requirements ... so that all Californians can continue to support and donate to much needed charitable organizations.”

[AB 2641](#) should also be a welcome addition to California nonprofit law. This bill requires the Governor’s Office of Business and Economic Development (“[GO-Biz](#)”) to post on its website information assisting individuals in setting up nonprofit corporations and in maintaining compliance with state requirements. The bill further mandates that the website contain direct links to information on the incorporation, registration, and renewal requirements of specified state agencies. Consolidating the various state regulations in one place is intended to have a similar effect as SB 1341: making filing and fee requirements more readily accessible to small charities operating without the benefit of legal counsel.

Assembly Member Nancy Skinner, who introduced the bill, [noted](#) that “larger nonprofits have the resources to hire lawyers for the creation and renewal of the organization, while ensuring that the organization is in

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compliance with state law. Smaller nonprofits do not have equivalent resources, resulting in many nonprofits failing to comply with state law. It is difficult for smaller nonprofits to even know what paperwork needs to be filed on a yearly basis.”

It is unclear when the GO-Biz web page dedicated to nonprofits will go live. In the meantime, organizations could verify that they are current in their state and federal filing requirements by seeking legal counsel. Useful agency websites may also be found on our [resources page](#).