

Nonprofit Corporation Dissolution Process Streamlined

Legislation has been enacted in California to streamline the process for dissolution of a nonprofit incorporated in the State. A nonprofit corporation will be subject to administrative dissolution or administrative surrender if its corporate powers are suspended or forfeited by the Franchise Tax Board (FTB) for a period of not less than 48 continuous months. Prior to the administrative dissolution or administrative surrender, the FTB must provide written notice to the nonprofit corporation. The FTB is also required to transmit to the Secretary of State (SOS) and the Attorney General the names and file numbers of nonprofit corporations subject to the administrative dissolution or administrative surrender provisions.

A nonprofit corporation may file a written objection to an administrative dissolution or administrative surrender. If a timely written objection is received by the FTB, the nonprofit corporation will have an additional 90 days to pay or satisfy all accrued taxes, penalties, and interest, and to file a current Statement of Information with the SOS. The 90-day period may be extended, but for no more than one period of 90 days. If there is no written objection or the written objection fails, the nonprofit corporation will be administratively dissolved or administratively surrendered. Upon administrative dissolution or administrative surrender, the nonprofit corporation's liabilities for qualified taxes, interest, and penalties will be abated.

Other provisions in the legislation allow a nonprofit corporation that meets certain requirements to file a shortened form of dissolution and provide a streamlined process for voluntary dissolution. The FTB must, upon written request by a qualified nonprofit corporation, abate unpaid qualified taxes, interest, and penalties, for taxable years for which the nonprofit corporation certifies, under penalty of perjury, that it was not doing business in the state. Abatement will be conditioned on the dissolution of the qualified corporation within 12 months from the date of filing the request for abatement.

Ch. 363 (A.B. 557), Laws 2015, effective January 1, 2016

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This material is presented with the understanding that the author is providing basic information only, and assumes no liability whatsoever in connection with its use. Tax laws are constantly changing, are subject to differing interpretations, and the facts and circumstances in any particular situation may not be the same as those presented here. Therefore, we urge you to do additional research and make sure that you are fully informed and knowledgeable before using the information contained herein.