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# California

Forms & Instructions

## 3500

### 2007

Exemption Application Booklet

Members of the Franchise Tax Board

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**This booklet contains:**

**FTB 3500**, Exemption Application

**FTB 3500A**, Affirmation of Internal Revenue  
Code Section 501(c)(3)

Use form FTB 3500 to apply for exemption  
from California income or franchise taxes.

Use form FTB 3500A to receive state  
affirmation of tax-exempt status under federal  
Internal Revenue Code Section 501(c)(3).



STATE OF CALIFORNIA  
**FRANCHISE TAX BOARD**

# Instructions for Form FTB 3500 and FTB 3500A

## Exemption Application and Affirmation of Internal Revenue Code Section 501(c)(3)

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005**, and to the California Revenue and Taxation Code (R&TC).

### What's New

#### Registered Domestic Partners (RDP)

Effective for taxable years beginning on or after January 1, 2007, RDPs under California law must file their California income tax returns using either the married/RDP filing jointly or married/ RDP filing separately filing status. RDPs will have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into in a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, effective for taxable years beginning on or after January 1, 2007, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status. For more information on what states have legal unions that are considered substantially equivalent, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for **RDP**.

For purposes of California income tax, references to a spouse, a husband, or a wife also refer to a California Registered Domestic Partner (RDP), unless otherwise specified. When we use the initials (RDP) they refer to both a California Registered Domestic "Partner" and a California Registered Domestic "Partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

#### Affirming Federal Exempt Status

Beginning on or after 01/01/2008, new law AB 897 (Stats. 2007, Ch. 238) allows federally tax-exempt Section 501 (c)(3) organizations, to be exempt from state income taxes. Specifically, this law:

- Allows organizations granted federal tax-exempt status to establish their state exemption with form FTB 3500A, Affirmation of Internal Revenue Code Section 501 (c)(3).
- Requires the organization to notify the Franchise Tax Board (FTB) when the Internal Revenue Service revokes the Section 501 (c)(3) federal tax-exempt status.
- Permits the FTB to revoke tax-exempt status if the entity fails to meet certain state provisions governing exempt organizations.

### General Information

All corporations and unincorporated associations, even if organized on a nonprofit basis, are subject to California corporation franchise or income tax unless the FTB grants tax-exempt status, or affirms a federal determination letter under Internal Revenue Code (IRC) Section 501(c)(3), to the organization. The fact that the organization is exempt from federal income tax does not automatically exempt it from California tax. Nonprofit does **not** mean tax-exempt.

To be exempt from corporate franchise or income tax, an organization must file form FTB 3500 or form FTB 3500A with all required documentation and the FTB must grant or affirm the exemption. Until exemption is granted, or FTB affirms a federal determination letter under the IRC Section 501(c)(3), for those organizations seeking tax-exemption under R&TC Section 23701d the organization remains taxable.

Because California and federal laws are similar in this area, it is recommended that the organization obtain federal exemption application forms and draft articles for both the state and federal applications at the same time. In some cases, California may require that the organization obtain a federal determination of its tax-exempt status prior to issuing a state exemption determination letter.

If the organization has obtained a federal exemption, furnish a copy of the federal determination letter with the organization's application for state exemption. If the organization is granted a federal exemption under IRC Section 501(c)(3) and is seeking state exemption under R&TC Section 23701d, see form FTB 3500A on page 13, in this booklet.

An unincorporated association that has exempt status must reapply for exemption if it incorporates.

#### Disclosure of Application Materials

Unless and until the FTB grants exemption, or affirms status under IRC Section 501(c)(3), the application and all associated documentation is confidential. The FTB may not discuss the application with any unauthorized person. However, once exemption is granted or affirmed, the application, and supporting documents, shall be open to public inspection.

Upon the organization's request, public disclosure of documents relating to any trade secrets, patents, process, style of work, or apparatus may be withheld if the FTB determines that disclosure would adversely affect the organization. Additionally, public disclosure of documents may also be withheld if the disclosure would adversely affect national defense.

**Private Mail Box (PMB)** – Include PMB number in the address field. Write the acronym "PMB" first, then the box number. Example: 111 Main Street PMB 123.

### A Purpose

The purpose of form FTB 3500, Exemption Application, is to apply for exemption from California franchise and income tax. If the organization provides all answers and documentation required in questions 1 through question 7i and the appropriate information required on Side 2 through Side 7, the FTB will be able to make a determination as to whether or not the organization qualifies for exemption. If the organization does not furnish all required information, FTB will have to request the additional information resulting in a delay in the determination, or denial of the application.

The purpose of form FTB 3500A, is for organizations with federal tax-exemption under IRC Section 501(c)(3) seeking tax-exemption under R&TC Section 23701d from the FTB to receive affirmation from the FTB. See form FTB 3500A on page 13, in this booklet. Provide FTB the documentation to substantiate qualification for exempt status. If the organization does not provide all answers and documentation, FTB will have to request the additional information. This will result in a delay in the affirmation.

### B When, What, and Where to File

If the organization already has federal tax-exemption under IRC Section 501(c)(3) and seeks tax-exemption under R&TC Section 23701d, submit form FTB 3500A on page 13, in this booklet.

To apply for exemption, submit form FTB 3500 at least 90 calendar days before exemption is needed.

The organization must include:

1. A completed form FTB 3500 or FTB 3500A, with an original signature of an authorized individual, such as:
  - An elected officer
  - A director
  - An authorized representative
  - A trustee (if the organization is a trust)
2. For form FTB 3500 only, an application fee of \$25. Make the check or money order payable to the Franchise Tax Board.  
Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.
3. For form FTB 3500 only, the information and documents requested on Side 2, item 7a through item 7i.
4. For form FTB 3500 only, the information and documents required on Side 2, item 8 through Side 7, item 25d, related to the R&TC section under which exemption is being sought.

Mail the exemption package or affirmation package to:

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-4041

If you have questions about these forms, call (916) 845-4171 (not toll-free).

If the articles of incorporation need to be amended to meet the requirements for exemption, or if additional information is required, the FTB will contact the officer or representative designated on form FTB 3500 or form FTB 3500A.

If the organization qualifies for exemption or affirmation, the FTB will mail a "determination letter" or "affirmation letter" to the organization. The determination letter or affirmation letter is proof of exemption. California does not issue a "tax-exempt ID number."

Failure to furnish ALL required information may delay the determination of exempt status or affirmation status or result in the denial of the application.

Allow 90 calendar days for the FTB to review the application or affirmation information.

## C Comparable State and Federal Code Sections

To qualify for exemption, an organization must be organized and operated for purposes described in one of the following R&TC Sections:

R&TC	IRC	Purpose
23701a	501(c)(5)	Labor, agricultural, or horticultural organizations
23701b	501(c)(8)	Fraternal beneficiary societies
23701c	501(c)(13)	Cemeteries, crematoriums
23701d	501(c)(3)	Religious, charitable, scientific, literary, or educational organizations
23701e	501(c)(6)	Business leagues, chambers of commerce, etc.
23701f	501(c)(4)	Civic leagues or social welfare and local association of employees
23701g	501(c)(7)	Social and recreational organizations
23701h	501(c)(2)	Title holding corporations
23701i	501(c)(9)	Voluntary employees' beneficiary organizations
23701j	501(c)(11)	Teachers' retirement funds
23701k	501(d)	Apostolic organizations
23701l	501(c)(10)	Fraternal societies
23701n	501(c)(17)	Supplemental unemployment compensation trusts
23701r	527	Political organizations
23701t	528	Homeowners' association
23701u	None	Public facility financial corporations
23701v	None	Mobile home park association
23701w	501(c)(19)	War veterans' organizations
23701x	501(c)(25)	Title holding organizations
23701y	501(c)(14)	Credit unions
23701z	501(n)	Self-insurance pools for charitable organizations

## D Incorporating in California

If the organization is incorporated, follow the instructions in General Information B, When, What, and Where to File. If the organization is not incorporated and wishes to do so, the organization must first incorporate, then follow the instructions in General Information B.

### To Incorporate:

- Mail both items listed below directly to:  
DOCUMENT FILING SUPPORT UNIT  
BUSINESS PROGRAMS DIVISION  
1500 11TH STREET, 3rd Floor  
SACRAMENTO CA 95814-2974
  - The original plus four copies of the articles of incorporation; and
  - A \$30.00 check payable to the California Secretary of State (SOS) for the fees for filing the articles of incorporation. Additional (more than two) certified copies cost \$8.00 each.

**Do not send form FTB 3500 or form FTB 3500A, to the California Secretary of State.**

- If the proposed articles satisfy the requirements of the California Corporations Code, the California SOS will file the original articles of incorporation, endorse any remaining copies, and return the endorsed copies to the organization.

If the proposed articles do not satisfy the requirements of the California Corporations Code, the California SOS will notify the organization of the failure and advise how to remedy it.

- After the organization receives the endorsed articles of incorporation, mail one copy of the endorsed articles along with the items listed under General Information B to the address also shown there.

If the organization has any questions regarding incorporating, call the California SOS at (916) 657-5448 (not toll-free).

The articles of incorporation must not only meet the requirements of the California Corporations Code, they must also meet the requirements of the R&TC. Therefore, it may be necessary to revise and/or amend the articles to meet the requirements of both the California Corporations Code and the R&TC. Guidelines are provided on page 15. Sample articles that meet the requirements of both laws begin on page 16.

## E Foreign Corporations

If the organization is incorporated in another state or country, it is considered to be a "foreign corporation."

However, the organization may qualify to do business in California by complying with the requirements of the California Corporations Code which is administered by the California SOS.

If the organization has already qualified through the California SOS, follow the instructions under General Information B.

### To qualify to do business in California

- Follow the instructions for incorporating (General Information D, Incorporating in California), and submit the following documents, in lieu of the articles of incorporation, to the California SOS:
  - A certificate of good standing from the state or country having custody of the original articles.
  - A completed Statement and Designation by Foreign Corporation (available on request from the California SOS).
- If the California SOS is satisfied that the organization meets the requirements of the California Corporations Code, the California SOS will file the original Statement and Designation by Foreign Corporation, endorse any extra copies, and issue a Certificate of Qualification to the organization.
- After the organization receives the endorsed copy of the Statement and Designation by Foreign Corporation, mail the following additional items along with the items listed under General Information B to the listed address:
  - A copy of the endorsed Statement and Designation by Foreign Corporation.
  - A copy of the federal exemption determination letter.
  - Copies of the federal information returns for the last three years of operation. This will satisfy the financial data requirements.

## F Unincorporated Associations

Follow the instructions under General Information B.

## G Trusts

**Trusts must furnish a copy of the federal determination letter before state exemption will be granted.** If the trust has not applied for a federal exemption, it should do so. Attach a statement to form FTB 3500 stating when the federal application was submitted. Follow the instructions under General Information B.

Trusts organized and operated for purposes described in R&TC Section 23701d are treated as nonprofit corporations for exemption purposes. If the organization already has federal tax-exemption under IRC Section 501(c)(3) and seeks tax-exemption under R&TC Section 23701d, see form FTB 3500A on page 13, in this booklet.

Pension plans described in IRC Section 401(a) are not required to file form FTB 3500 with the FTB. However, they must file Form 109, California Exempt Organization Business Income Tax Return, if the unrelated business income for the taxable year exceeds \$1,000. Go to our Website [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for **Form 109** for more information.

## H Limited Liability Company

For taxable years beginning on or after January 1, 2003, limited liability companies (LLCs) classified as a partnership or as a disregarded entity that meet all of the requirements of R&TC Section 23701h or 23701x may qualify for exemption from tax as title-holding companies.

Further, effective August 30, 2004, California Corporations Code Section 17002 allows LLCs to engage in any lawful business activity, whether or not for profit. Accordingly, an LLC that elects to be taxed as a corporation may qualify for exemption, if it meets all the other requirements of R&TC Section 23701. The election of classification for tax purposes must be the same for California state tax purposes as for federal tax purposes. The federal election to be classified as a corporation for tax purposes may be demonstrated by a federal tax-exemption determination letter or the federal Form 8832, Entity Classification Election, submitted to the IRS. The organization must submit one of these documents with the Exemption Application. To qualify for exemption, the articles of organization of an LLC must contain language similar to the Sample Creating Documents shown on Page 18.

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## I Political Organizations

A political organization meeting the requirements of R&TC Section 23701r is not required to file form FTB 3500 with the FTB. However, it must obtain a letter from the FTB certifying exemption if it wants to incorporate and avoid the annual payment of the minimum franchise tax. For more information about political organizations, get FTB Pub. 1075, Exempt Organizations — Guide for Political Organizations.

To obtain a letter certifying exemption, the political organization must submit a written request to the FTB's Exempt Organizations Unit. The organization's request must include a description of the political organization's activities. Mail the request to:

EXEMPT ORGANIZATIONS UNIT MS F120  
FRANCHISE TAX BOARD  
PO BOX 1286  
RANCHO CORDOVA CA 95741-1286  
or call (916) 845-4171 (not toll-free)

## J Groups

### Group Exemption Application

A parent organization desiring group exemption for its California unincorporated subordinates must first establish its own exempt status. Then it must file a separate form FTB 3500 (complete Side 1) or form FTB 3500A. Write "Group Exemption" or "Group Affirmation" in red in the top margin of the form. The group exemption application must include:

- A cover letter stating that the subordinates are affiliated and are subject to the parent's general supervision and control.
- A sample copy of a uniform charter.
- An affirmation that the subordinates are operating in accordance with there stated purposes.
- A statement that the subordinates have furnished written authorization to be included with the group exemption application.
- A list of California subordinates, their organization number (if any), and current mailing address.
- The federal employer identification number (FEIN).
- The accounting period used.
- A statement whether the organization receives unrelated business income (if so, include the gross amount).

The subordinates must be exempt under the same lettered section under Section 23701 although not necessarily exempt under the same section as the national, state or parent central organization.

Incorporated subordinates must each file a separate form FTB 3500. Incorporated subordinates may not use form FTB 3500A.

### Group Filing Return

A parent organization may choose to file a group return (Form 199, California Exempt Organization Annual Information Return) on behalf of its subordinates by writing "Group Filing" in red in the top margin of the return, provided the subordinate organizations to be included therein:

Are subject to the general supervision and control of the central organization.

Have established exempt status individually or through group exemption granted to the parent organization.

Do not have unrelated trade or business income in excess of \$1000.

Incorporated subordinates may be included in a group filing if they have already established tax-exempt status.

**EXCEPTION: Private foundations granted exemption under R&TC Section 23701d cannot be included in a group return.**

## K Retroactive Exempt Status

The FTB may grant exempt status retroactively for periods in which the organization substantiates that it was organized and operated for exempt purposes. For FTB 3500A: For state income tax purposes, the effective date of an organization's tax-exempt status shall be no later than the federal effective date. If the federal effective date differs from the incorporation date, the organization should consider filing form FTB 3500.

Example:

- ABC organization incorporated on 12/31/1999.
- Federal exempt status effective 12/31/2002.
- ABC organization filed form 3500A.

The state's effective date for ABC organization is 12/31/2002. To avoid the minimum franchise tax or annual tax, ABC organization must file form FTB 3500, to request an exemption retroactive to 12/31/1999.

## L Sample Articles of Incorporation, Creating Documents, and Instructions

### 1. Incorporated Organizations

The sample articles of incorporation that begin on page 16 are structured to meet the California SOS requirements for incorporating and the requirements necessary for exemption. Guidelines are provided on page 15. Generally, organizations incorporating as nonprofit must do so under one of the three sections of the California Corporations Code Sections 5110, 7110, or 9110.

**Exception:** Organizations seeking exemption under R&TC Section 23701h or Section 23701x that have members must incorporate under the stock provisions of the California Corporations Code. (See California Corporations Code Section 202.) The articles of incorporation must contain a statement that the activities will be limited to those permitted under whichever section of the R&TC the exemption is being sought. If the organization does not have any members, it may incorporate as a mutual benefit corporation.

If an unincorporated association is being incorporated, an article (like the following) must be added: "The name of the existing unincorporated association now being incorporated by the filing of the articles is (state name of your association)." Attach an affidavit of subscribing persons to the articles. See California Corporations Code Sections 5121, 7121, and 9121.

The details of the internal operations of the organization should be covered in the bylaws. See page 19 for Guidelines in Writing Bylaws.

### 2. Unincorporated association creating document – An unincorporated association must have a creating document that meets certain minimum requirements. The document must contain:

- The name of the organization.
- The specific and primary purpose of the organization.
- A statement indicating that the organization is organized for nonprofit purposes and that the individual members will not derive profit from the organization.
- The original signature of each member of the board of directors.

The samples of unincorporated association creating documents on page 18 are structured to meet these requirements. Guidelines are provided on page 15.

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## Specific Instructions

Before mailing form FTB 3500 or form FTB 3500A to the address on Page 2 of this booklet, make sure entries have been made for the:

- California corporation number (a valid seven digit number assigned by California SOS or the 7 digit number assigned by the FTB).
- Federal employer identification number (FEIN) (nine digits)
- California SOS file number (LLC number)(10 or 12-digits)(begins with "19" or "20")
- Corporation or LLC name (use the legal name filed with California SOS)
- Address (include PMB no., if applicable)

**Exemption Application****3500**

California corporation number	FEIN	Secretary of State (SOS) file no.	
Name of organization as shown in the organization's creating document			
Address (including suite, room, or PMB no.)		Daytime telephone number ( ) -	
City	State	ZIP Code	
Name of representative to be contacted regarding additional requirements or information		Daytime telephone number ( ) -	
Representative's mailing address (including suite, room, or PMB no.)			
City	State	ZIP Code	

**ALL applicants must complete item 1 through item 7i. Also furnish the information requested in item 8 through item 25, as applicable.**

- 1 a** Enter the California Revenue and Taxation Code (R&TC) Section under which exemption is claimed \_\_\_\_\_. See General Information C.
- b** Primary activity of organization: \_\_\_\_\_
- 2 a** What is the legal form of the organization? ☐ Corporation ☐ Unincorporated association ☐ Trust ☐ Limited Liability Company  
Date formed \_\_\_\_\_
- b** If formed in another state, furnish the following information:  
(1) Date qualified in California \_\_\_\_\_ (2) State in which formed \_\_\_\_\_
- 3 a** Has this organization or its predecessor(s) previously applied for exemption? ☐ Yes ☐ No
- b** If "Yes," check the appropriate box(es) below and enter either "Granted" or "Denied" and the date exemption was "Granted" or "Denied."  
☐ California \_\_\_\_\_ Date \_\_\_\_\_ ☐ Federal \_\_\_\_\_ Date \_\_\_\_\_ ☐ Other State \_\_\_\_\_ Date \_\_\_\_\_
- c** Enter the R&TC Section number under which the organization previously filed with the Franchise Tax Board \_\_\_\_\_.
- Furnish copies of any determination letters received.**
- 4 a** Has the organization filed federal tax returns? ☐ Yes ☐ No
- b** If "Yes," state type of returns and years filed. \_\_\_\_\_
- 5** Annual accounting period (must end on last day of the month). \_\_\_\_\_

Enclose,  
but do  
not staple,  
any  
payments.

- 6 a** Is this a new organization? If "No," attach a statement indicating the name of the California predecessor(s), the period during which it was in existence, the reasons for its termination, and the R&TC section number under which it previously filed with the FTB. . . .
- b** Is this a membership organization? If "Yes," attach a statement that fully explains the qualifications for members, the different classes of membership, the number of members in each class, and the voting rights and privileges accorded each class . . . . .
- c** Has the organization made, or are there plans to make, any distribution of its property or surplus to officers or members? If "Yes," attach a detailed statement . . . . .
- d** Will any of the incorporators share any facilities with the organization? If "Yes," attach a detailed explanation . . . . .
- e** Will any property be rented, purchased, or transferred in any way from any of the incorporators? If "Yes," attach a detailed explanation . . . . .
- f** Will any promoter, incorporator, founder, or member be employed by the organization? If "Yes," furnish complete details, including duties, responsibilities, qualifications, and compensation . . . . .
- g** Will any member of the board of directors be compensated for services other than services performed as a board member, e.g., officer, and/or employee? If "Yes," furnish the name(s) of the director(s), and the amount(s) of compensation for each. Also, list the name(s) of the other director(s), indicating their blood or marriage/RDP relationship, if any, to the compensated director(s) .
- h** Does the organization plan to conduct raffles or other gaming activities? If so, attach a statement describing how they will be conducted and how the organization will use the funds. . . . .

Yes	No

**Continue to Item 7.**

**Be sure to include the \$25 application fee.** Make the check or money order payable to the "Franchise Tax Board." Do not send cash. Allow 90 calendar days for processing. Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

DATE

SIGNATURE OF OFFICER OR REPRESENTATIVE

TITLE



**7 TO ENSURE THAT THE FTB WILL PROCESS THE ORGANIZATION'S EXEMPTION APPLICATION, ATTACH THE FOLLOWING INFORMATION TO THE APPLICATION. Failure to provide the following documents may delay our determination as to whether the organization qualifies for exemption.**

- a** A copy of the creating document. The type of document to be submitted depends upon the way in which the organization was created. If the organization is:
- A California corporation, submit a copy of the endorsed articles of incorporation and all subsequent endorsed amendments. "Endorsed" means the articles bear the stamps of the California Secretary of State (SOS).
  - A foreign corporation that is qualified through the California SOS, submit a copy of the endorsed articles of incorporation and all subsequent endorsed amendments from the state or country in which incorporated. "Endorsed" means the articles bear the stamps of the California SOS.
  - An unincorporated association, submit either: a copy of the constitution, articles of association, bylaws, or other document that contains the language required as shown in the samples on page 18 of the instructions AND which is signed by the board of directors or other governing body.
  - A trust, submit a copy of the trust document and any subsequent modifications to it.
  - A California limited liability company, submit a copy of the endorsed articles of organization.
  - A limited liability company formed in another state and qualified in California, submit a copy of the endorsed California SOS form LLC-5, Application for Registration, a copy of the certificate of good standing from the home state, and a copy of the articles of organization from the home state.
- b** A copy of the bylaws, proposed bylaws, operating agreement, or other code of regulations.
- c** Financial documents. The documents to be provided depend upon whether the organization has been operating or has not yet started to operate. If the organization has:
- Been operating, furnish complete statements of receipts and expenditures, assets and liabilities for each accounting period that it has been in existence and **for which exemption is requested**. See the Receipts and Expense Statement on Side 8 of this form. Do not send bank statements or monthly reports. However, bank statements or monthly reports should be retained as support for items on the income and expense statement.
  - Been operating but has not had any financial activity, provide information substantiating operations during the years for which you are requesting exemption. Example, minutes from meetings of board of directors. In addition, furnish a proposed budget showing sources of income and areas of expenditures for the current year and subsequent year. The proposed budget is required and the organization should base it upon the most reasonable expectations.
  - Not yet started to operate, furnish a proposed budget showing the sources of income and areas of expenditures for the first year of operation. The budget is required before the FTB will process the application and should be based upon the most reasonable expectations. Refer to the Receipts and Expenses Statement on Side 8 of this form.
- d** A statement describing the specific purposes for which the organization was formed. A general nonprofit purpose statement will not be acceptable, and do not quote the articles of incorporation or bylaws.
- e** A statement describing in detail the programs and activities that the organization presently conducts or will conduct and how it will accomplish its specific purposes.
- f** A statement describing in detail each type or source of funding, each fund raising activity, and each business enterprise the organization has engaged in or plans to engage in either alone or with other parties (accompanied by copies of all agreements, if any, for the conduct of each fund raising activity or business enterprise).
- g** A statement that fully explains any discontinued specific activities that the organization engaged in or sponsored. Give dates of commencement and termination and the reasons for discontinuance. (Omit if this is a new organization.)
- h** A copy of each lease, if any, in which the organization is the lessee or lessor of property (real, personal, gas, oil, or mineral), or in which an interest is owned under such lease, together with copies of all agreements with other parties for development of the property.
- i** Summary of any literature that the organization sells or distributes and summary of any organizational advertising.

**Each item listed below refers to a separate R&TC Section. Provide the information for the section under which the organization claims exemption.**

**8 R&TC Section 23701a – Labor, agricultural, or horticultural organization:** Submit an explanation of any services to be performed for members. Cooperative organizations applying for exemption under R&TC Section 23701a must submit a copy of the federal exemption letter showing exemption under IRC Section 501(c)(5).

**9 R&TC Section 23701b – Fraternal beneficiary societies, etc.:**

- a** State whether the organization operates, or plans to operate, under the lodge system or for the exclusive benefit of the members of a lodge system. Operating under the lodge system means carrying on activities under a form of organization that comprises local branches (called lodges, chapters, or the like) that are largely self-governing and chartered by a parent organization.
- b** If the organization is a subordinate or local lodge, etc., attach a certificate signed by the secretary of the parent organization certifying that the subordinate lodge is a duly constituted body operating under the jurisdiction of the parent body.
- c** If the organization is a parent or grand lodge, attach a statement showing the number of subordinate lodges in active operation and whether periodic meetings are actually held.
- d** Attach a statement describing the types of benefits (life, sick, accident, or other benefits) paid, or to be paid, to members.

10 R&TC Section 23701c – Cemetery company or corporation chartered solely for burial purposes:

- a Attach these statements and/or documents:
  - (1) Complete copy of the sales contract or other document involved in the organization’s acquisition of cemetery property.
  - (2) Complete copy of any contract designating an agent to sell the cemetery plots.
  - (3) Name(s) of officer(s) and director(s) of the organization from the date of incorporation to the present date, and the period for which each held office.
  - (4) Appraised value of cemetery property as of the date acquired (the appraisal should be obtained from sources other than the parties in interest).
- b Does the organization have or plan to have a perpetual care fund? ☐ Yes ☐ No  
If “Yes,” furnish a copy of the federal exemption letter, a copy of the fund agreement, and a statement explaining the nature of such fund (cash, securities, unsold land, etc.). Also attach a statement that fully explains the manner in which the fund is or will be administered, the specific purposes for which the fund is to be used, and the name(s) of the person(s) administering the fund.
- c Does the organization operate a crematorium? ☐ Yes ☐ No

11 R&TC Section 23701d – Religious, charitable, scientific, literary, or educational organization: Attach a statement explaining all “Yes” answers in item 11a through item 11d. If the organization already has federal tax-exemption under IRC Section 501(c)(3) and seeks tax-exemption under R&TC Section 23701d, see form FTB 3500A on page 13, in this booklet.

- a Has the organization received, or does it expect to receive, 10% or more of its assets from any organization or group of affiliated organizations (affiliated through stockholding, common ownership, or otherwise), any individual, or members of a family group (brother or sister whether whole or half blood, spouse/RDP, ancestor, or lineal descendant)? .....
- b Is the organization now, has it ever been, or does it plan to be engaged in carrying on propaganda, or otherwise advocating or opposing pending or proposed legislation (this includes dissemination of such information to the general public while representing the organization)? .....
- c Has the organization participated in, or does it plan to participate or intervene in, any political campaign (including the publishing or distributing of statements) on behalf of, or in opposition to, any candidate for public office? .....
- d Does the organization hold, or plan to hold, 10% or more of any class of stock or 10% or more of the total combined voting power of stock in any corporation? .....
- e If claiming exemption as a church, attach a statement including the information requested in item (1) through item (8) below:
  - (1) Has a permanent place of worship been established? At what address? Who is the legal owner of this property? Describe the physical characteristics of the organization’s church buildings. Explain to what extent these buildings are used for purposes other than religious worship.
  - (2) Does the organization have a regular congregation or conduct religious services on a regular basis? How many usually attend the regular worship services? Attach samples of worship service programs and newspaper announcements of the organization’s activities. Where and how often are religious services held?
  - (3) Furnish information regarding the religious background and formal religious training of the religious leaders. Furnish a copy of each religious leader’s certificate of ordination.
  - (4) What amount of the annual gross income will be received from incorporators, ministers, officers, directors, or their families?
  - (5) What amount of the organization’s proposed expenditures will be used for the personal living expenses of the individuals mentioned in item (4) above?
  - (6) How many hours per week will the religious or spiritual leader(s) devote to organizational activities? Will this person(s) engage in employment unrelated to the activities of the organization? If so, indicate the number of hours per week and describe the employment activity.
  - (7) List all the officers, directors, trustees, etc., of the organization and describe their qualifications for such office. Are any of the officers or directors related by blood or marriage or RDP? If “Yes,” explain.
  - (8) Will any founder, member, or officer:
    - (a) Take a vow of poverty?
    - (b) Transfer personal assets to this organization, like a home, automobile, furnishings, business, or recreational assets, etc., that will be made available for the personal use of the donor(s)?
    - (c) Assign or donate to the organization income that will be used in part or whole to pay the donor(s) as salary, stipend, or living allowance (such as food, medical expenses, clothing, insurance, etc.)?

Yes	No

12 R&TC Section 23701e – Business league, chamber of commerce, etc.: Has the organization performed, or does it plan to perform, particular services for members, shareholders, or others, such as furnishing credit reports or collection accounts, inspecting products, conducting advertising, purchasing merchandise, or other similar undertakings? ☐ Yes ☐ No If “Yes,” attach a detailed statement, including income realized and expenses incurred in such activities. If engaged in advertising, attach samples of material.

13 R&TC Section 23701f – Civic leagues, social welfare organizations, and local associations of employees:

- a If the organization is applying as a civic league or social welfare organization, attach a statement explaining how the organization will promote the common good or welfare of an entire community.
- b If the organization is applying as a local association of employees, attach a statement giving the names and addresses of employers that have employees who are eligible for membership in the association. If an employer has employees (who are eligible for membership) located in more than one plant or office, give the address of each plant or office.

14 R&TC Section 23701g – Social and recreational organization:

- a Has the organization solicited, or does it plan to solicit, public patronage of the facilities by advertisement or otherwise? If “Yes,” attach sample copies of such advertisements or other solicitations. . . . .
- b Are nonmembers, other than bona fide guests of members, permitted, or will they be permitted, to use the club facilities or participate in or attend any functions or activities conducted by the organization? If “Yes,” attach a statement describing the functions or activities in which nonmembers have participated or will participate, or to which they have been or will be admitted. If nonmembers have participated in or have been admitted to any functions or activities, state the amount received from nonmembers. Provide a schedule in the statement detailing the expenses attributable to such nonmembers, the expenses attributable to such functions, and the disposition made of net profits, if any, derived from the functions . . . . .
- c Has the organization rented or leased, or does it plan to rent or lease, any part of the club’s property to others? If “Yes,” attach a statement indicating the reason for such action, or proposed action, and the amount received, or to be received. Also attach copies of the rental agreements or leases . . . . .
- d Has the organization derived or will it derive any income from nonmembers not explained above? If “Yes,” explain in detail. . . . .
- e Furnish a statement separating the member and nonmember income for the past three years and a proposed budget separating member and nonmember income for the next period of operation.
- f Enter the total number of club members: \_\_\_\_\_. If there are different classes of membership, attach a statement explaining the dues and privileges of each class.
- g Provide copies of:
  - (1) House rules.
  - (2) All other documents used in considering or granting memberships, including agreements or contracts, if any.
  - (3) Corporate resolutions demonstrating adoption of policy or change of policy regarding membership or use of facilities.

Yes	No

15 R&TC Section 23701h – Title holding corporation:

- a Attach a statement giving the complete names and addresses of organizations for which title to property is held, the number of shares of capital stock held and whether shares of stock have ever been held by persons other than such organizations. If stock was so held, include the years held and the total number of shares of each class of stock.

R&TC Section 23701h requires turning over net income to a parent organization periodically. Organizations with members, incorporating as a nonprofit corporation under the California Corporations Code, are precluded from exempt status under R&TC Section 23701h. California Corporations Code Sections 5410 and 7411 prohibit any distribution to members of nonprofit public benefit corporations or nonprofit mutual benefit corporations unless the organization dissolves.

Incorporated organizations seeking exemption under R&TC Section 23701h that have members must incorporate under the for profit provisions of the California Corporations Code.
- b State whether the annual income (less expenses) is, or will be, turned over to the organization for which title to property is held. Explain what disposition will be made of income that will not be turned over to the organization.
- c Attach a copy of an exemption letter (federal or California) for each organization for which property will be held. If property will be held for organization(s) located in California, the organization must furnish a California exemption letter.

16 R&TC Section 23701i – Voluntary employees’ beneficiary organization: Furnish a copy of the federal determination letter showing exemption under IRC Section 501(c)(9).

17 R&TC Section 23701l - Fraternal society, etc.:

- a State whether the organization operates, or plans to operate, under the lodge system or for the exclusive benefit of the members of a lodge system. Operating under the lodge system means carrying on activities under a form of organization that comprises local branches (called lodges, chapters, or the like) that are largely self-governing and chartered by a parent organization.
- b If the organization is a subordinate or local lodge, etc., attach a certificate signed by the secretary of the parent organization certifying that the subordinate lodge is a duly constituted body operating under the jurisdiction of the parent body.
- c If the organization is a parent or grand lodge, attach a statement showing the number of subordinate lodges in active operation and whether periodic meetings are actually held.

18 R&TC Section 23701n – Supplemental unemployment compensation trust: Attach a copy of the supplemental unemployment benefit plan and pertinent agreements and a copy of the federal determination letter.



**19 R&TC Section 23701t – Homeowners' association:**

- a** Furnish a copy of the recorded Declaration of Covenants, Conditions, and Restrictions.
- b** Will any of the individual units/lots owned by the organization or its members be occupied for other than personal residential purposes?  
☐ Yes ☐ No If "Yes," provide the following information:
- (1) What percentage of the units/lots will be used for nonresidential purposes? \_\_\_\_\_
- (2) If the organization claims exemption as a condominium management association, enter square footage of all units and square footage devoted to residential purposes. All units \_\_\_\_\_ Residential \_\_\_\_\_
- (3) If the organization claims exemption as a residential real estate management association, enter the local real property zoning for lots within the association. Total number of lots \_\_\_\_\_ Number of lots zoned residential \_\_\_\_\_
- (4) What percentage of the organization's total gross income will be derived from dues, fees, or assessments from nonresidential members? \_\_\_\_\_
- c** Will this organization own, maintain, or operate a mutual water company, well, electrical generating facility, or other utility? ☐ Yes ☐ No  
If "Yes," describe in detail and answer these questions:
- (1) Are the members/shareholders: ☐ the actual users of the utility or ☐ simply investors?
- (2) Is this organization furnishing utilities to (check applicable box(es)): ☐ residential homes, ☐ commercial businesses (including agricultural enterprises)? If both, indicate what percent of this organization's total income will be derived from sale of utilities for nonresidential usage \_\_\_\_\_
- (3) How are members/shareholders assessed for utilities usage? Are they assessed equally or on the basis of square footage/acreage?
- (4) Are meters utilized to determine charges to members/stockholders? ☐ Yes ☐ No  
If "Yes," provide a detailed breakdown on how rates are determined and the amount of revenue received.
- d** Will any of the units/lots be rented by a person, or series of persons, for periods of less than 30 days that, when added together, equal more than half of the association's taxable year? ☐ Yes ☐ No If "Yes," what percentage of the units/lots are rented in this manner? \_\_\_\_\_
- e** What date was the first unit sold, or when will the first unit be available for sale? \_\_\_\_\_
- f** What date did the association become active? \_\_\_\_\_ Provide details of these activities.
- \_\_\_\_\_
- \_\_\_\_\_

- g** When were (will) dues first collected? month \_\_\_\_\_ day \_\_\_\_\_ year \_\_\_\_\_

**20 R&TC Section 23701u – Public facility financial corporation:**

- a** Attach samples of all certificates of participation or other securities to be issued.
- b** Attach copies of all leases, contracts, trust agreements, or other agreements that have been, or will be, entered into by this corporation.

**21 R&TC Section 23701v – Mobile home park acquisition association:**

- a** Are all members of the organization owners of manufactured homes or mobile home tenants of the mobile home park? ☐ Yes ☐ No  
If "No," explain the circumstances under which other individuals can become members of the organization.
- b** Describe the mobile home park in which owner/tenant members reside.
- c** Are all lots within the park rented or leased to mobile home or manufactured home owners? ☐ Yes ☐ No If "No," explain.
- d** Does the rent paid by each owner include rental for the lot occupied by the mobile home or manufactured home? ☐ Yes ☐ No If "No," explain.
- e** Will the organization carry on activities other than purchasing or preparing to purchase the mobile home park in which members reside? ☐ Yes ☐ No If "Yes," describe in detail the other activities and indicate the percentage of total operations represented by such activities.

**22 R&TC Section 23701w – War Veterans' organization:**

To be completed by a post or organization of past or present members of the Armed Forces of the United States.

- a** What is the total membership of your post or organization? \_\_\_\_\_
- b** How many members are present or former members of the Armed Forces of the United States? \_\_\_\_\_
- c** How many members are cadets (include students in college, university, or armed services academies)? \_\_\_\_\_ How many are spouses/RDPs, widows, or widowers of cadets, or of past or present members of the Armed Forces of the United States? \_\_\_\_\_
- d** Does the organization have a membership category other than the ones set out above? ☐ Yes ☐ No If "Yes," explain in detail and enter the number of members in this category.

To be completed by an auxiliary unit or society of a post or organization of past or present members of the Armed Forces of the United States.

- e** Is the organization affiliated with and organized according to the bylaws, and regulations formulated by such an exempt post or organization? ☐ Yes ☐ No
- f** How many members does the organization have? \_\_\_\_\_

(Item 22 continues on Side 6.)

- g** How many members are past or present members of the Armed Forces of the United States, or have spouses/RDPs or persons related to them within two degrees of blood relationship (grandparents, brothers, sisters, and grandchildren are the most distant relationships allowable) that are past or present members of the Armed Forces of the United States (enter total)? \_\_\_\_\_
- h** Are all of the members themselves members of a post or organization, past or present members of the Armed Forces of the United States, or spouses/RDPs of members of such a post or organization, or related to members of such a post or organization within two degrees of blood relationship? ☐ Yes ☐ No If "No," explain in detail.

**23 R&TC Section 23701x – Title holding organization:**

- a** Attach a statement giving the complete names and addresses of organizations or trusts for which title to property is being held, and the number of shares of capital stock held by each entity.
- b** State whether the annual income (less expenses) is, or will be, turned over to the organizations for which title to property is held. Explain what disposition will be made of the income that is not or, will not be, turned over to the organizations.
- c** Furnish a copy of a federal determination letter for each organization or trust for which property is, or will be, held.
- d** For those organizations of trust for which property is, or will be, held and which do not have a federal determination letter, provide detailed information to show that each shareholder is:
- (1)** A governmental plan described in IRC Section 414(d); or
- (2)** The United States, any state or political subdivision thereof, or any agency or instrumentality of the foregoing.
- e** State the total number of stockholders or beneficiaries.
- f** Describe in detail each class of stock or beneficial interest.

R&TC Section 23701x requires turning over net income to specified parent organizations periodically. Organizations with members incorporating as a nonprofit corporation under the California Corporations Code are precluded from exempt status under that section. California Corporations Code Sections 5410 and 7411 prohibit any distribution to members of nonprofit public benefit corporations or nonprofit mutual benefit corporations unless the organization dissolves.

Incorporated organizations seeking exemption under R&TC Section 23701x that have members must incorporate under the for profit provisions of the California Corporations Code.

**24 R&TC Section 23701y – Credit Unions:**

- a** Provide a copy of the organization's license to operate a credit union.
- b** What is the total number of members of the organization? \_\_\_\_\_

**25 R&TC Section 23701z – Self-Insurance pools for charitable organizations:**

- a** Provide a list of names, California corporation numbers, and federal employer identification numbers (FEINs) for all participants in the pool.
- b** Describe in detail the activities of each participating corporation.
- c** Furnish a copy of the latest federal determination letter showing exemption under IRC Section 501 for each participating corporation.
- d** Describe in detail all insurance services to be provided to members of the pool.

# Receipts and Expenses Statement

Complete information is required to adequately respond to Item 7c on Side 2. The statement below represents the basic financial details necessary to complete the organization's request for exemption. The organization may substitute its own receipts and expenses statement, or statements, but the details **must** be complete as indicated in this statement. Failure to provide complete financial information may result in denial of the organization's exemption application.

## Details must include:

- For each year exempt status is requested, provide the financial information represented in the statement below.
- If the organization has had financial activities for less than one year, provide a financial statement for the period of activities, and a projected budget for the entire first year.
- If this is the organization's first year of operation, and/or the organization has no prior financial activity, provide a proposed budget for the entire first year of operation. The proposed budget should be based on the organization's most reasonable expectations.

	Calendar or Fiscal Year Ending				
	Current year	Three preceding years for each year in existence			Total
	_____	_____	_____	_____	
<b>RECEIPTS</b>					
Gifts . . . . .					
Grants . . . . .					
Contributions received . . . . .					
Fundraising . . . . .					
Membership income . . . . .					
Nonmembership income (R&TC Section 23701g) . . . . .					
Membership dues and assessments (R&TC Section 23701t) . . . . .					
Other business income . . . . .					
Gross investment income . . . . .					
Gross royalty income . . . . .					
Gross rental income . . . . .					
Gross receipts from admissions . . . . .					
Gross receipts from commissions . . . . .					
Gross receipts from sale of merchandise . . . . .					
Gross receipts from services provided . . . . .					
Gross receipts from furnishing of facilities . . . . .					
Gain or loss from sale of capital assets . . . . .					
Other income (attach sheet itemizing each type) . . . . .					
<b>TOTAL RECEIPTS</b>					
<b>EXPENSES</b>					
Fundraising . . . . .					
Contributions, gifts, grants, and similar amounts paid . . . . .					
Disbursements to or for member benefit . . . . .					
Compensation of officers . . . . .					
Compensation of directors . . . . .					
Compensation of trustees . . . . .					
Rental expenses . . . . .					
Other salaries and wages . . . . .					
Occupancy (rents) . . . . .					
Other (including all operational and administrative expenses – attach sheet) . . . . .					
<b>TOTAL EXPENSES</b>					
Excess of receipts over expenses . . . . .					

# Procedural Checklist

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## Has the organization:

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- \_\_\_\_\_ Completed Side 1, including item 1a through item 6h?  
**Note:** Attach a statement if the organization needs to clarify an answer to any of these questions.
- \_\_\_\_\_ Included the information and documents requested on Side 2, item 7a through item 7i?
- \_\_\_\_\_ Completed the appropriate lines for the organization's needs on Side 3, item 8 through Side 7, item 25d?
- \_\_\_\_\_ Included the \$25 application fee?
- \_\_\_\_\_ Signed the application?  
(The application must be signed by an officer or an authorized representative of the organization. The signature must be the original, not a copy.)

## Make sure the organization's application is complete.

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If the organization does not complete all applicable parts of form FTB 3500, or does not provide all required attachments, additional correspondence will be necessary in order to complete the review of its application. This will delay the determination of exempt status or result in denial of the application.

Retain a copy of the completed form FTB 3500 and all attachments for the organization's permanent records.

# Affirmation of Internal Revenue Code Section 501(c)(3)

CALIFORNIA FORM

Only for organizations seeking tax-exemption under California Revenue and Taxation Code Section 23701d.

**3500A**

California corporation number	FEIN	Secretary of State (SOS) file number
-------------------------------	------	--------------------------------------

Name of organization (your name on the affirmation must be the same as your legal name as it appears in your creating document, see question 7a instructions)

Address (including suite, room, or PMB no.)

City	State	ZIP Code
------	-------	----------

Name of representative to be contacted regarding additional requirements or information	Daytime telephone number
---	--------------------------

Representative's mailing address (including suite, room, or PMB no.)

City	State	ZIP Code
------	-------	----------

Date of Incorporation .....

Federal Determination Letter dated (Enclose a copy of the letter) .....

If applicable, retroactive date on Federal Determination Letter .....

Internal Revenue Code section shown on Federal Determination Letter .....

Describe the primary purpose and activity of the organization: .....

Check the boxes that apply and provide the Franchise Tax Board with substantiation that the organization qualifies for R&TC Section 23701d. If you do not provide all answers and documentation, the FTB will have to request the additional information from you. This will result in a delay in the affirmation.

## Organizational Documents:

☐ Trust Instrument    ☐ Private Foundation

## Articles of Incorporation

☐ Private Foundation☐ Public Benefit    ☐ Mutual Benefit    ☐ Religious    ☐ Foreign Corporation (State incorporated) .....☐ Location of Charitable Purpose (page, article, and paragraph number) .....☐ Location of Political Limitation Clause (page, article, and paragraph number) .....☐ Location of Dedication Clause (page, article, and paragraph number) .....☐ Location of Dissolution Clause (page, article, and paragraph number) .....



### Articles of Association

- ☐ Religious Purpose    ☐ Charitable Purpose    ☐ Public Purpose
- ☐ Location of Charitable Purpose (page, article, and paragraph number) \_\_\_\_\_
- ☐ Location of Political Limitation Clause (page, article, and paragraph number) \_\_\_\_\_
- ☐ Location of Dedication Clause (page, article, and paragraph number) \_\_\_\_\_
- ☐ Location of Dissolution Clause (page, article, and paragraph number) \_\_\_\_\_

### Articles of Organization

- ☐ Religious Purpose    ☐ Charitable Purpose    ☐ Public Purpose
- ☐ Location of Charitable Purpose (page, article, and paragraph number) \_\_\_\_\_
- ☐ Location of Political Limitation Clause (page, article, and paragraph number) \_\_\_\_\_
- ☐ Location of Dedication Clause (page, article, and paragraph number) \_\_\_\_\_
- ☐ Location of Dissolution Clause (page, article, and paragraph number) \_\_\_\_\_

### Additional Information

- ☐ This organization is currently active
- ☐ Corporation is suspended
- ☐ Bylaws are available upon request
- ☐ Returns have been filed: Years filed \_\_\_\_\_

Has the organization filed state tax returns? If so, state type of returns and years filed \_\_\_\_\_

Has the organization filed federal tax returns? If so, state type of returns and years filed \_\_\_\_\_

Has the organization ever been suspended, revoked or audited by the IRS? If so, explain \_\_\_\_\_

### Group Exemption – All Subordinates are:

- ☐ Unincorporated
- ☐ Section 501(c)(3) Organizations

Federal Group # \_\_\_\_\_

Attach a list of all California Subordinates, include mailing addressed and identification number.

**Under penalties of perjury, I declare that I have examined this request for affirmation and to the best of my knowledge and belief, it is true, correct, and complete.**

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE OF OFFICER OR REPRESENTATIVE\*

\_\_\_\_\_  
TITLE

\*Signature of an officer, director, trustee, or other official who is authorized to sign the affirmation.

## Guidelines for Creating Document

Use the samples on pages 16 through 18, to draft the organization's creating document. The table below provides direction as to which sample and related specific instruction to use to ensure the organization's creating document contains all required statements for the section of law under which the organization is applying for exemption.

If applying for exemption under R&TC Section	And the organization is	If incorporating		If <u>not</u> incorporating, use sample	Limited liability company
		Use sample	See note		
23701d	Exclusively religious	A	1 & 3	G	See note 8
23701d	Other than exclusively religious	B	1, 2, & 3	H	
23701f	Civic league, social welfare organization, and local association of employees	C	1 & 4	I	
23701h or 23701x	Title holder	D	5	J	
23701u	Public facility financing corporation	E	1		
23701y	Credit union		6		
Any other section		F	1 & 7	J	

### Notes:

1. In Article III: Complete the sentence by describing the specific and primary purpose of the organization. Limit it to those activities permitted by the R&TC Section under which the exemption is desired.

2. In Article V and VI: Complete the sentence by describing the specific and primary purposes permitted by R&TC Section 23701d (i.e., charitable, educational, scientific, etc.)

3. In Article VII: Organizations wanting to distribute their assets to a specific organization must provide for an alternate distributee. This is needed because the specific organization may not be in existence or may not be exempt under the appropriate section of law at the time of distribution. The exception to this rule is when the assets are to be distributed to federal, state, county, or city government for public purposes.

Where designation of a specific distributee is desired and the welfare exemption from property taxation will be claimed, the organization may use the following sample clause to replace Article VII.

"Upon the dissolution or winding up of this organization, its assets remaining after the payment of, or provision for the payment of, all debts and liabilities of this organization, shall be distributed to (Enter the name of the organization) if it is then in existence and organized and operated exclusively for charitable and/or religious purposes and exempt under IRC Section 501(c)(3), but if not then in existence or so organized and operated or exempt, to another organization which is organized and operated exclusively for charitable and/or religious purposes and which has established its tax-exempt status under IRC Section 501(c)(3)."

4. In Article VII: Organizations wishing to distribute their assets to a specific organization must provide for an alternate distributee. This is needed because the specific organization may not be in existence or may not be exempt under the appropriate section of law at the time of distribution. The exception to this rule is when the assets are to be distributed to federal, state, county, or city government for public purposes.

Where designation of a specific distributee is desired and the welfare exemption from property taxation will be claimed, the organization may use the following sample clause to replace Article VII.

"Upon the dissolution or winding up of this organization, its assets remaining after the payment of, or provision for the payment of, all debts and liabilities of this organization, shall be distributed to (Enter the name of the organization) if it is then in existence and organized and operated exclusively for charitable and/or social welfare purposes and exempt under IRC Section 501(c)(3) or 501(c)(4), but

if not then in existence or so organized and operated or exempt, to another organization which is organized and operated exclusively for charitable and/or social welfare purposes and which has established its tax-exempt status under IRC Section 501(c)(3) or 501(c)(4)."

5. See Article V. If the organization has any members, it must use articles that provide for the issuance of stock AND include the following statement: "The activities of this corporation will be limited to those permitted under R&TC Section \_\_\_\_\_. (Enter 23701h or 23701x, as appropriate.)"

6. Credit unions must follow the requirements set forth in the Financial Code.

7. Dedication of assets:

a. Generally, organizations using these articles are not required to include a clause dedicating assets to charitable purposes. However, any organization may elect to distribute its assets to charitable organizations upon dissolution without restricting the assets to such use during the organization's existence.

**Exception:** Veteran's organizations are entitled to the welfare (property tax) exemption but must dedicate their assets to "charitable" purposes. See Articles VI and VII in Sample Articles B.

b. Organizations applying for exemption under R&TC Section 23701g, social or recreational clubs, must be operated for the enjoyment of members and supported primarily by dues, fees, and assessments paid by members. Any income from nonmember sources may be taxable as unrelated business income and, if it is substantial, the club may lose its exempt status.

A social club may have a fund raising event for a charitable organization and pay over the net proceeds to the charity without losing its exempt status. Social clubs contemplating fund raising drives should include the following in their articles of incorporation or creating document:

"If this organization holds any event(s) to which the general public is invited to observe or participate in for a fee, the income from the general public, less a proportional share of the expenses which will not benefit members, will be paid over to an organization, which is exempt from income tax under IRC Section 501(c)(3), on an annual basis."

8. A limited liability company uses Form LLC-1, Limited Liability Company Articles of Organization, as its creating document. To get this form go to the Secretary of State's Website at [www.sos.ca.gov](http://www.sos.ca.gov).

On Form LLC-1, item 6, attach a page to include language similar to the sample creating documents shown on page 18. Follow the guidelines under "If Not Incorporating" in the table shown above.

Sample A Articles (nonprofit RELIGIOUS corporation).  
To be used by exclusively religious organizations seeking exemption  
under R&TC Section 23701d.

If the organization already has federal tax-exemption under IRC Section  
501(c)(3) and seeks tax-exemption under R&TC Section 23701d, see  
form FTB 3500A on page 13, in this booklet.

#### ARTICLES OF INCORPORATION

##### I

The name of this corporation is \_\_\_\_\_.

##### II

This corporation is a religious corporation and is not organized for the  
private gain of any person. It is organized under the Nonprofit Religious  
Corporation Law exclusively for religious purposes.

##### III

The specific purpose of this corporation is to \_\_\_\_\_.

##### IV

The name and address in the State of California of this corporation's initial  
agent for service of process is: \_\_\_\_\_.

##### V

This corporation is organized and operated exclusively for religious purposes  
within the meaning of IRC Section 501(c)(3).

##### VI

The property of this corporation is irrevocably dedicated to religious  
purposes and no part of the net income or assets of this corporation shall  
ever inure to the benefit of any director, officer, or member thereof, or to  
the benefit of any private person.

##### VII

Upon the dissolution or winding up of the corporation, its assets remaining  
after payment, or provision for payment, of all debts and liabilities of this cor-  
poration shall be distributed to a nonprofit fund, foundation, or corporation  
which is organized and operated exclusively for religious purposes and which  
has established its tax-exempt status under IRC Section 501(c)(3).

##### VIII

No substantial part of the activities of this corporation shall consist of  
carrying on propaganda, or otherwise attempting to influence legislation, and  
the corporation shall not participate or intervene in any political campaign  
(including the publishing or distribution of statements) on behalf of any  
candidate for public office.

\_\_\_\_\_  
(Signature of Incorporator)

\_\_\_\_\_  
(Typed name of Incorporator), Incorporator

Sample B Articles (nonprofit PUBLIC BENEFIT corporation).  
To be used by organizations other than exclusively religious  
organizations, seeking exemption under R&TC Section 23701d.

If the organization already has federal tax-exemption under IRC Section  
501(c)(3) and seeks tax-exemption under R&TC Section 23701d, see  
form FTB 3500A on page 13, in this booklet.

#### ARTICLES OF INCORPORATION

##### I

The name of this corporation is \_\_\_\_\_.

##### II

This corporation is a nonprofit public benefit corporation and is not organized  
for the private gain of any person. It is organized under the Nonprofit Public  
Benefit Corporation Law for (public) (charitable), (public and charitable)  
purposes.

##### III

The specific purpose of this corporation is to \_\_\_\_\_.

##### IV

The name and address in the State of California of this corporation's initial  
agent for service of process is: \_\_\_\_\_.

##### V

This corporation is organized and operated exclusively for \_\_\_\_\_  
purposes within the meaning of IRC Section 501(c)(3).

##### VI

The property of this corporation is irrevocably dedicated to \_\_\_\_\_  
purposes and no part of the net income or assets of this corporation shall  
ever inure to the benefit of any director, officer, or member thereof, or to  
the benefit of any private person.

##### VII

Upon the dissolution or winding up of the corporation, its assets remaining  
after payment, or provision for payment, of all debts and liabilities of this  
corporation shall be distributed to a nonprofit fund, foundation, or corpora-  
tion which is organized and operated exclusively for \_\_\_\_\_  
purposes and which has established its tax-exempt status under IRC  
Section 501(c)(3).

##### VIII

No substantial part of the activities of this corporation shall consist of  
carrying on propaganda, or otherwise attempting to influence legislation, and  
the corporation shall not participate or intervene in any political campaign  
(including the publishing or distribution of statements) on behalf of any  
candidate for public office.

\_\_\_\_\_  
(Signature of Incorporator)

\_\_\_\_\_  
(Typed name of Incorporator), Incorporator

**Sample C Articles** (nonprofit **PUBLIC BENEFIT** corporation). To be used  
by civic leagues, social welfare organizations, and local associations of  
employees seeking exemption under R&TC Section 23701f.

#### ARTICLES OF INCORPORATION

##### I

The name of this corporation is \_\_\_\_\_.

##### II

This corporation is a nonprofit public benefit corporation and is not organized  
for the private gain of any person. It is organized under the Nonprofit Public  
Benefit Corporation Law for public purposes.

##### III

The specific purpose of this corporation is to \_\_\_\_\_.

IV  
The name and address in the State of California of this corporation's initial agent for service of process is: \_\_\_\_\_

V  
This corporation is organized and operated exclusively for social welfare purposes within the meaning of IRC Section 501(c)(4).

VI  
The property of this corporation is irrevocably dedicated to social welfare purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer, or member thereof, or to the benefit of any private person.

VII  
Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation, or corporation which is organized and operated exclusively for social welfare purposes and which has established its tax-exempt status under IRC Section 501(c)(4).

\_\_\_\_\_  
(Signature of Incorporator)  
(Typed name of Incorporator), Incorporator

**Sample D Articles** To be used by **TITLE HOLDING** corporations that have members seeking exemption under R&TC Section 23701h or 23701x.

#### ARTICLES OF INCORPORATION

I  
The name of this corporation is \_\_\_\_\_

II  
The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business, or the practice of a profession permitted to be incorporated by the California Corporations Code.

III  
The name and address in the State of California of this corporation's initial agent for service of process is: \_\_\_\_\_

IV  
This corporation is authorized to issue only one class of shares of stock; and the total number of shares which this corporation is authorized to issue is \_\_\_\_\_

V  
The activities of this corporation will be limited to those permitted under R&TC Section \_\_\_\_\_  
\_\_\_\_\_  
(Signature of Incorporator)  
(Typed name of Incorporator), Incorporator

**Sample E Articles** To be used by **PUBLIC FACILITY FINANCING ORGANIZATIONS** seeking exemption under R&TC Section 23701u.

#### ARTICLES OF INCORPORATION

I  
The name of this corporation is \_\_\_\_\_

II  
This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public purposes.

III  
The specific purpose of this corporation is to \_\_\_\_\_

IV  
The name and address in the State of California of this corporation's initial agent for service of process is: \_\_\_\_\_

V  
This corporation is organized and operated exclusively for social welfare purposes within the meaning of IRC Section 501(c)(4).

VI  
The property of this corporation is irrevocably dedicated to public purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer, or member thereof, or to the benefit of any private person.

VII  
Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation, or corporation which is organized and operated exclusively for public purposes and which has established its tax-exempt status under R&TC Sections 23701d, 23701f, or 23701u, or IRC Sections 501(c)(3), or 501(c)(4).

\_\_\_\_\_  
(Signature of Incorporator)  
(Typed name of Incorporator), Incorporator

**Sample F Articles** (nonprofit **MUTUAL BENEFIT** corporation). To be used by organizations seeking exemption under an R&TC section other than 23701d, 23701f, or 23701u.

#### ARTICLES OF INCORPORATION

I  
The name of this corporation is \_\_\_\_\_

II  
This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such law.

III  
The specific purpose of this corporation is to \_\_\_\_\_

IV  
The name and address in the State of California of this corporation's initial agent for service of process is: \_\_\_\_\_

V  
Notwithstanding any of the above statements of purposes and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this corporation.

\_\_\_\_\_  
(Signature of Incorporator)  
(Typed name of Incorporator), Incorporator

### Sample G Creating Document

If the organization already has federal tax-exemption under IRC Section 501(c)(3) and seeks tax-exemption under R&TC Section 23701d, see form FTB 3500A on page 13, in this booklet.

Unincorporated Association or Limited Liability Company  
R&TC Section 23701d  
Exclusively Religious Organizations

The creating document must contain:

1. The name of the organization.
2. The specific and primary purpose of the organization.
3. A statement indicating that the organization is organized for nonprofit purposes and that the individual members will not derive profit therefrom. The following is acceptable:  
This organization is a nonprofit religious organization and is not organized for the private gain of any person.
4. A political limitation clause. The following is acceptable:  
No substantial part of the activities of this organization shall consist of carrying on propaganda or otherwise attempting to influence legislation, and the organization shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.
5. A dedication clause. The following is acceptable:  
The property of this organization is irrevocably dedicated to religious purposes and no part of the net income or assets of this organization shall ever inure to the benefit of any director, officer, or private person.
6. A dissolution clause. The following is acceptable:  
Upon the dissolution or winding up of the organization, its assets remaining after payment, or provision for payment, of all debts and liabilities of this organization shall be distributed to a nonprofit fund, foundation, or corporation which is organized and operated exclusively for religious purposes and which has established its tax-exempt status under IRC Section 501(c)(3).

### Sample H Creating Document

Unincorporated Association or Limited Liability Company  
R&TC Section 23701d  
Other than Exclusively Religious Organizations

If the organization already has federal tax-exemption under IRC Section 501(c)(3) and seeks tax-exemption under R&TC Section 23701d, see form FTB 3500A on page 13, in this booklet.

The creating document must contain:

1. The name of the organization.
2. The specific and primary purpose of the organization.
3. A statement indicating that the organization is organized for nonprofit purposes and that the individual members will not derive profit therefrom. The following is acceptable:  
This organization is a nonprofit public benefit organization and is not organized for the private gain of any person.
4. A political limitation clause. The following is acceptable:  
No substantial part of the activities of this organization shall consist of carrying on propaganda or otherwise attempting to influence legislation, and the organization shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.
5. A dedication clause. The following is acceptable:  
The property of this organization is irrevocably dedicated to charitable purposes and no part of the net income or assets of this organization shall ever inure to the benefit of any director, officer, or private person.

6. A dissolution clause. The following is acceptable:

Upon the dissolution or winding up of the organization, its assets remaining after payment, or provision for payment, of all debts and liabilities of this organization shall be distributed to a nonprofit fund, foundation, or corporation, which is organized and operated exclusively for charitable purposes and which has established its tax-exempt status under IRC Section 501(c)(3).

### Sample I Creating Document

Unincorporated Association or Limited Liability Company  
R&TC Section 23701f

The creating document must contain:

1. The name of the organization.
2. The specific and primary purpose of the organization. The following is acceptable:  
The specific purpose of this organization is to \_\_\_\_\_ within the meaning of RTC Section 23701f.
3. A statement indicating that the organization is organized for nonprofit purposes and that the individual members will not derive profit therefrom.  
The following is acceptable:  
This organization is a nonprofit public benefit organization and is not organized for the private gain of any person.
4. A dedication clause. The following is acceptable:  
The property of this organization is irrevocably dedicated to social welfare purposes and no part of the net income or assets of this organization shall ever inure to the benefit of any director, officer, or private person.
5. A dissolution clause. The following is acceptable:  
Upon the dissolution or winding up of the organization, its assets remaining after payment, or provision for payment, of all debts and liabilities of this organization shall be distributed to a nonprofit fund, foundation, or corporation, which is organized and operated exclusively for social welfare purposes and which has established its tax-exempt status under IRC Section 501(c)(4).

### Sample J Creating Document

Unincorporated Association or Limited Liability Company  
All Others

The creating document must contain:

1. The name of the organization.
2. The specific and primary purpose of the organization. The following is acceptable:  
The specific purpose of this organization is to \_\_\_\_\_ within the meaning of RTC Section 23701\_\_\_\_.
3. A statement indicating that the organization is organized for nonprofit purposes and that the individual members will not derive profit from the organization. The following is suggested:  
The organization does not contemplate pecuniary gain or profit to the members thereof and is organized for nonprofit purposes.
4. A limitation clause. The following is acceptable:  
Notwithstanding any of the above statements of purposes and powers, this organization shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this organization.



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## Guidelines in Writing Bylaws

Bylaws set forth how an organization will operate. Following are some standard categories included in bylaws and descriptions of what may be addressed in each category. These are not mandatory categories, nor are they all inclusive. They are merely provided for guidance purposes. When the organization drafts its bylaws, include only those categories that meet the operational goals of the organization.

### NAME

The name of the organization. The form of the seal (if any). What is required for the organization to change its name (such as a vote of a certain percentage of the members).

### PURPOSES

Describe the purposes of the organization.

### MEMBERSHIP

Establish requirements regarding the membership including:

1. Basis for membership
2. Basis for terminating a person's membership

### MEETINGS

Describe activities or requirements for meetings, including:

1. When regular meetings will be held
2. How they are to be rescheduled if the need arises
3. How and when members will be notified of meetings
4. How special meetings are to be called
5. What percentage of membership constitutes a quorum in the event a vote is to be taken

### VOTING

Describe issues concerning voting, including:

1. When and how voting will be conducted
2. How the votes will be tallied and who will do the tallying
3. How board members and officers will be elected

### ORDER OF BUSINESS

Establish the order in which the meetings will be conducted.

### BOARD OF DIRECTORS

Describe the requirements of the board of directors, including:

1. How many board members there will be
2. How they will be chosen
3. How long they will serve
4. What their responsibilities will be
5. When they will meet
6. How many constitute a quorum
7. Basis for removal of a director

### OFFICERS

Describe the requirements of the officers, including:

1. How many officers there will be
2. How they will be chosen
3. How long they will serve
4. What their responsibilities will be
5. When they will meet
6. Basis for removal of an officer
7. Whether they will be compensated for their services

### SALARIES

Describe issues concerning salaries, including:

1. Who will establish the amount
2. Options for revising the amount

### COMMITTEES

Describe issues associated with committees, including:

1. What the committees will be responsible for doing
2. How new committees will be created
3. Who may serve on a committee
4. How long members will serve on a committee
5. Basis for removing committee members

### DUES

Describe issues associated with dues, including:

1. The amount of dues
2. When they are to be paid
3. Consequences of failing to pay the dues
4. How the amount is established and/or revised

### RECORDS AND REPORTS

Describe the accounts, books, and records to be maintained by the organization. Describe the minutes to be kept at each meeting, whether or not they will be opened for inspection and, if open, when they will be available.

### AMENDMENTS

Describe issues associated with how the bylaws will be amended, include:

1. Who can initiate an amendment
2. When the amendment will be made
3. If a vote is to be taken will a majority or quorum be required

### OTHER

Include any other provisions you may want to include as guidance in how the organization will operate.

# How to Get California Tax Information

(Keep this page for future use.)

## Automated Toll-Free Phone Service

Use our Automated Toll-Free Phone Service to get recorded answers to many of your questions about California taxes and to order current year California Business Entity tax forms and publications. This service is available in English and Spanish to callers with touch-tone telephones. Have paper and pencil ready to take notes.

Call from within the  
United States. . . . . (800) 338-0505

Call from outside the  
United States. . . . . (916) 845-6600  
(not toll-free)

## Where to get General Tax Information

**By Internet** – You can get answers to Frequently Asked Questions from our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

**By Phone** – You can hear recorded answers to Frequently asked Questions 24 hours a day, 7 days a week. Call our automated phone service at the number listed above. Select “Business Entity Information,” then select “Frequently Asked Questions.” Enter the 3-digit code, listed below, when prompted.

### Code – Prefiling Assistance

- 715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100 or Form 100W?
- 717 – What are the current tax rates for corporations?
- 718 – How do I get an extension of time to file?
- 722 – When does my corporation file a short period return?
- 734 – Is my corporation subject to a franchise tax or income tax?

### S corporations

- 704 – Is an S corporation subject to the minimum franchise tax?
- 705 – Are S corporations required to file estimated payments?
- 706 – What forms do S corporations file?
- 707 – The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 22 of Form 100S?

### Exempt Organizations

- 709 – How do I get tax-exempt status?
- 710 – Does an exempt organization have to file Form 199?
- 736 – I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

### Minimum Tax and Estimate Tax

- 712 – What is the minimum franchise tax?
- 714 – My corporation is not doing business; does it have to pay the minimum franchise tax?

### Billings and Miscellaneous Notices

- 723 – I received a bill for \$250. What is this for?

### Dissolution

- 724 – How do I dissolve my corporation?

### Miscellaneous

- 700 – Who do I need to contact to start a business?
- 701 – I need a state Employer ID number for my business. Who do I contact?
- 703 – How do I incorporate?
- 737 – Where do I send my payment?

## Letters

If you write to us, be sure your letter includes the California corporation number, or FEIN, your daytime and evening telephone numbers, and a copy of the notice. Send your letter to:

EXEMPT ORGANIZATIONS UNIT MS F-120  
FRANCHISE TAX BOARD  
PO BOX 1286  
RANCHO CORDOVA CA 95741-1286

We will respond to your letter within ten weeks. In some cases we may need to call you for additional information. Do not attach correspondence to your tax return unless it relates to an item on the return.

## Your Rights As A Taxpayer

FTB's goals include making certain that your rights are protected so that you have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you request written advice from the FTB on whether a particular transaction is taxable. See “Where To Get Income Tax Forms and Publications,” on this page.

## Where to Get Tax Forms and Publications

**By Internet** – You can download, view, and print California tax forms and publications from our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

**By phone** – You can order current year California Business Entity tax forms between 6 a.m. and 8 p.m. Monday through Friday. Call our automated phone service at the number listed above. Select “Business Entity Information,” then select “Forms and Publications.” Follow the recorded instructions and enter the 3-digit code, listed below, when prompted. To order prior year forms, call the number listed under “Assistance,” and select option five to speak with a representative.

Allow two weeks to receive your order. If your corporation's mailing address is outside California, allow three weeks.

### Code

- 817 – California Corporation Tax Forms and Instructions. This booklet includes: Form 100, California Corporation Franchise or Income Tax Return
- 814 – Form 109, California Exempt Organization Business Income Tax Return
- 815 – Form 199, Exempt Organization Return
- 818 – Form 100-ES, Corporation Estimated Tax
- 802 – FTB 3500, Exemption Application including form FTB 3500A, Affirmation of Internal Revenue Code Section 501(c)(3)

**In person** – Many libraries and post offices provide free California tax booklets during the filing season. Most libraries have forms and schedules to photocopy (a nominal fee may apply).

**Note:** Employees at libraries and post offices cannot provide tax information or assistance.

**By mail** – Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## Assistance

Telephone assistance is available year-round from 7 a.m. until 6 p.m. Monday through Friday, except holidays.

Call from within the  
United States. . . . . (800) 852-5711

Call from outside the  
United States . . . . . (916) 845-6500  
(not toll-free)

### Assistance for persons with disabilities

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call:

From TTY/TDD . . . . . (800) 822-6268

### Asistencia bilingüe en español

Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 6 p.m. lunes a viernes, excepto días festivos.

Dentro de los Estados Unidos,  
llame al . . . . . (800) 852-5711

Fuera de los Estados Unidos,  
llame al (cargos aplican) . . . . . (916) 845-6500

Página Electrónica: [www.ftb.ca.gov](http://www.ftb.ca.gov)

