

Franchise Tax Board

Many people assume that once a booster club or parent organization has been exempted from federal income tax it is also exempt from paying California income tax. This is not the case: while California will exempt most organizations that the IRS deems charitable, the organization must first file FTB Form 3500 (Exemption Application) or Form 3500A (Submission of Exemption Request). Which form you file depends on whether your club has received a federal determination letter. It can take up to four months to process, so submit early.

Once the exemption has been granted, California requires that you file an annual tax return. Like the IRS, the FTB offers an easy file option for very small nonprofits. The Form 199N is a simple online return and no tax preparation software is used to complete it. Use the following chart to determine if you qualify:

Gross Receipts	Form 199	Form 199N
Normally <= \$50,000	No	Yes
> \$50,000	Yes	No

Gross receipts are the total amounts the organization received from all sources during the year, without subtracting any costs or expenses. The chart below will help you determine if gross receipts are normally \$50,000 or less:

	Number of Years in Existence		
	Up to 1	1-3	3 or more
Average Gross Receipts	\$75k or less	\$60k or less	\$50k or less for last 3 years

Larger organizations must file the more complex Form 199. These clubs may want to consult a tax professional.

File the Form 199 or 199N by the 15th day of the 5th month after the accounting period ends (May 15th for calendar year end, Nov 15th for June 30th end). If the organization is in good standing with the FTB, a six-month extension is automatically granted.

Important Takeaways

- *Don't drop the ball when applying for tax-exempt status. California law requires its own exemption request*
- *Just like the IRS, California requires an annual tax filing*