AB 2503 (IRWIN) CORPORATIONS: LIMITED LIABILITY COMPANIES: DISSOLUTION: CANCELLATION: ABATEMENT OF TAXES

POSITION: The Chamber’s Small Business Roundtable voted to SUPPORT the proposal on July 12, 2018. The Chamber’s Public Policy Committee voted to SUPPORT the proposal on August 14, 2018.

RATIONALE: The Chamber’s Small Business Roundtable supported AB 2503 because it streamlines the dissolution process for small businesses.

STATUS: AB 1503 was introduced February 14, 2018. The bill passed the Assembly floor on May 29, 2018 and passed the Senate floor on August 24, 2018. It was enrolled and presented to the Governor on August 30, 2018. Governor Jerry Brown has until September 30 to sign or veto the bill.

SUMMARY
AB 2503 extinguishes annual taxes (and related interest and penalties) that continue to improperly accrue to businesses that no longer exist, because they failed to complete the paperwork necessary for dissolution. Business entities subject to the minimum franchise tax and other annual taxes, that cease operations are required to complete a series of filings with both the Secretary of State (SOS) and the FTB to formally dissolve. If the dissolution process is incomplete, taxes, interest and penalties continue to accrue every year, and this “revenue” may remain on FTB’s accounts receivables for up to 20 years - artificially inflating the agency’s anticipated revenue receipts.

INDUSTRY/IES IMPACTED
AB 2503 will impact the general business community.

SUPPORTERS
- California Taxpayers Association
- California Beer and Beverage Distributors
- California Business Properties Association
- California Chamber of Commerce
- California Restaurant Association

OPPONENTS
Unknown

ARGUMENTS IN FAVOR
This bill establishes an administrative dissolution process for business entities that have ceased doing business or that have been suspended or forfeited by the FTB or the SOS for 60 or more consecutive months, and have paid all taxes and filed all required returns as of the date the entity ceased doing business. AB 2503 is a practical common-sense measure that would streamline the dissolution process for both taxpayers and the state, and aligns California with states like Colorado, Georgia and Missouri, that have long implemented a successful administrative dissolution program.

ARGUMENTS IN OPPOSITION
Unknown