

CHAPTER 8.

SAMPLE CALIFORNIA FTB FORM 3500A and FORM 3500 TAX-EXEMPTION REQUEST, APPLICATION, AND INSTRUCTIONS

CALIFORNIA TAX EXEMPTION REQUEST AND APPLICATION PROCESS

Included in this package is a completed sample California Submission of Exemption Request (FTB Form 3500A). It is necessary to complete the federal application first, since the California exemption is an affirmation of the federal exemption. With the submission of the FTB 3500A, and a copy of the IRC section 501(c)(3) federal determination letter, FTB sends an acknowledgement letter. This acknowledgment letter states that the entity is recognized as having California tax-exempt status. The \$25 application fee is not required. Tax exempt status is retroactive to the date of federal tax-exempt status. If the federal tax-exempt status differs from the incorporation date, the organization should consider filing form FTB 3500 for California tax-exemption (this is used when federal tax-exemption has not been established).

In completing the 3500A application, remember to:

Sign and date the cover letter and the first page of Form 3500A.

Include a copy of the IRC section 501(c)(3) federal determination letter.

Make a copy of the completed application prior to mailing and retain it in the corporation's permanent records. An attorney should prepare or review the application before it is submitted.

In the alternative, if the organization does not have federal tax-exemption and would like to apply for California tax-exemption using Form 3500, remember to:

Sign and date the cover letter and the first page of Form 3500.

Include a copy (not the original) of the Articles of Incorporation as certified by the Secretary of State.

Include a copy (not the original) of the Bylaws.

Include a copy of each lease and samples of corporate literature.

Include a check for the \$25.00 application fee (as of 2008) made payable to the Franchise Tax Board.

Make a copy of the completed application prior to mailing and retain it in the corporation's permanent records. An attorney should prepare or review the application before it is submitted.

**SAMPLE COVER LETTER FOR FORM 3500A
(This letter is not required.)**

Franklin Community Development Corporation
333 Franklin Avenue
Franklin City, CA 95520
(707) 555-5400

January 10, 2008
Exempt Organizations Unit MS F120
Franchise Tax Board
P.O. Box 1286
Rancho Cordova, CA 95741-1286

To Whom It May Concern:

Enclosed please find Form 3500A, Submission of Exemption Request, and a copy of the IRC section 501(c)(3) federal determination letter for the Franklin Community Development Corporation, a California nonprofit corporation.

The applicant corporation is and will be primarily funded by federal and state government agencies to provide free counseling, technical assistance, and job training to low -income individuals residing in economically depressed rural communities in Northern California (principally Franklin County). The purpose of such assistance is to promote rural community economic development by enabling individuals who are either low-income or chronically unemployed to own and/or operate successful rural-based businesses and cooperatives, and to engage in efficient agricultural and forest products' production, processing, and marketing.

Hopefully, the applicant's involvement in community-based rural economic development will enable expeditious consideration of its application for tax exemption. The applicant must await a favorable IRS determination before actually receiving federal grants.

Please feel free to contact me should you require further information.

Sincerely,

William H. Webster, President

Submission of Exemption Request

Exemption Based on 501(c)(3) Federal Determination Letter

3500A

Enclose a copy of the Federal Determination Letter.

Corporation number/Secretary of State file number FEIN
9 9 - 9 9 9 9 9 9 9

Name of organization as shown in the organization's creating document
Franklin Community Development Corporation

Address (including suite, room, or PMB no.) Daytime telephone number
(5 5 5) 5 5 5-5 5 5 5
333 Franklin St.

City State ZIP Code
C A 9 5 5 2 0 - - 1 2 3
Franklin City

Name of representative to be contacted regarding additional requirements or information Daytime telephone number
(5 5 5) 5 5 5-5 5 5 5
William H. Webster

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

City State ZIP Code
C A 9 5 5 2 0 - - 1 2 3
Franklin City

Part I — Purpose and Activity

- 1 Check the box for the primary purpose and activity of the organization:
- | | | | | |
|---|--------------------------------------|--|--|---------------------------------|
| <input checked="" type="checkbox"/> Charitable | <input type="checkbox"/> Educational | <input type="checkbox"/> Religious | <input type="checkbox"/> Church | <input type="checkbox"/> School |
| <input type="checkbox"/> Prevent Cruelty to Animals | <input type="checkbox"/> Literary | <input type="checkbox"/> Hospital | <input type="checkbox"/> Medical Center | |
| <input type="checkbox"/> Health Care Center | <input type="checkbox"/> Scientific | <input type="checkbox"/> Testing For Public Safety | <input type="checkbox"/> Qualified Sports Organization | |
- 2 Annual Accounting period (must end on last day of the month)

Part II — Entity Information

- Check the boxes that apply:
- 1 Entity Type: Corporation Association Trust
- 2 Private Foundation
- 3 Public Benefit Mutual Benefit Religious Foreign Corporation (State of Incorporation) _____
- Additional Information:
- 4 Has the organization ever been suspended, revoked or audited by the IRS? Yes No If "Yes," explain _____

Part III — Group Exemption

Organizations applying for group exemption complete the following:

Group Exemption – All Subordinates are:

1 Section 501(c)(3) Organizations

2 Federal Group # 123456789

3 Attach a list of all California Subordinates, include mailing addresses and identification numbers.

Mail Form 3500A and all documents to EXEMPT ORGANIZATIONS UNIT MS F120, FRANCHISE TAX BOARD, PO BOX 1286, RANCHO CORDOVA CA 95741-1286.

Under penalties of perjury, I declare that I have examined this submission for exemption based on the 501(c)(3) federal determination letter, and to the best of my knowledge and belief, it is true, correct, and complete.

DATE SIGNATURE OF OFFICER OR REPRESENTATIVE TITLE

SAMPLE COVER LETTER FOR FORM 3500
(This letter is not required.)

Franklin Community Development Corporation
333 Franklin Avenue
Franklin City, CA 95520
(707) 555-5400

January 10, 2008
Franchise Tax Board
PO Box 942857
Sacramento, CA 94257-4041

To Whom It May Concern:

Enclosed please find Form 3500, Exemption Application, for the Franklin Community Development Corporation, a California nonprofit corporation.

The applicant corporation is and will be primarily funded by federal and state government agencies to provide free counseling, technical assistance, and job training to low -income individuals residing in economically depressed rural communities in Northern California (principally Franklin County). The purpose of such assistance is to promote rural community economic development by enabling individuals who are either low-income or chronically unemployed to own and/or operate successful rural-based businesses and cooperatives, and to engage in efficient agricultural and forest products' production, processing, and marketing.

Hopefully, the applicant's involvement in community-based rural economic development will enable expeditious consideration of its application for tax exemption.

Please feel free to contact me should you require further information.

Sincerely,

William H. Webster, President

Franklin Community Development Corporation

333 Franklin Avenue
Franklin City, CA 95520
(707) 555-5400
EIN: 99-9999999

Attachment to Form 3500

((NOTE: Question #7(a) and #7(b) require specific forms be attached to this application. Read those questions carefully and attach the appropriate forms as required.))

Question #7(c)(1) Receipts and Expenses

Income:		
Grants: 9/15 - 12/05:		\$ 30, 000
Expenditures:		
9/15 - 12/05:		
Salaries and Wages		\$ 4,000
Occupancy		2,000
Professional Fees		<u>3,000</u>
		9,000

Question #7(d)

The organization will assist low -income rural California communities by providing jobs and employment training to low-income and unemployed persons, develop employment opportunities in low-income rural communities (primarily In Franklin County); and improve the economic and community viability of declining rural areas.

Question # 7(e) Purposes and Activities

This organization incorporated only four months ago, and is still in the developmental and planning stage. The organization has already been awarded a \$30,000 grant from the Franklin Foundation and will seek additional funds for the purpose of assisting the community and economic development of rural communities in Northern California suffering severe and chronic unemployment caused by displacement of local industry, or containing a substantial proportion of low-income persons. This organization shall provide free job training, research, counseling and technical assistance, grants and low or no-interest loans to low-income and unemployed individuals to increase their capacity to engage in efficient agricultural or crafts production and marketing techniques, and to own or manage businesses and cooperatives. These services will be provided by the organization's staff and community volunteers.

Projects will be initiated or assisted in the areas of farmers' cooperative markets, a cooperative community auto service garage, cooperative arts and crafts marketing and subsidized employment and managerial training in the above activities. The organization's purpose in engaging in such activities is to provide jobs and employment training to low-

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Attachment to Form 3500

income and unemployed persons, develop employment opportunities in low-income rural communities (primarily in Franklin County); and improve the economic and community viability of declining rural areas. The Internal Revenue Service has recognized that organizations involved in activities analogous to those of the applicant qualify for exemption under Section 501(c)(3) as charitable organizations. See Rev. Rul. 74-587, 1974- 2 C.B. 162; Rev. Rul. 76-419, 1976- 2 C.B. 146.

Program participants will be selected through a formal process. The applicants will be solicited through advertising in the local media as well as referrals from the county Temporary Assistance to Needy Families (TANF) program. The applicants will be processed on a first come first serve basis. The applications will be screened to ensure that applicants earn 50% or less of the area median income and are willing to commit to a minimum of 20 hours per week of program participation. The Board of Directors of Franklin Community Development Corporation has a policy that no Board members or officers of the organization, members of their immediate family, or persons having a business relationship with such persons are eligible for participation in the program.

Initially the project will focus on Franklin County. The US Department of Agriculture has recognized the County's need for economic development by designating it a rural empowerment zone. The need is stark and growing. According to the 2000 U.S. Census, 35% of Franklin County's families live below the federal poverty line, as compared to 16% in adjacent Madison County and 7.7% statewide. The median household income for Franklin County residents is approximately 30% lower than the statewide median income, and the percentage of unemployed working age adults increased from 15% to 25% between the 1990 and 2000 census. The county's housing stock is old, with only 5% of structures constructed since 1970 and over 50% before 1930. Employment opportunities are declining. During the last five years thirty-five county businesses employing five or more workers have shut down and only two have opened.

Question #7(f)

Fundraising Activity and Business Enterprise

The organization presently has no plans for formal fundraising activities via committees, selective mailings, solicitors, etc., or for engaging in business enterprises. The organization shall assess the availability of community economic development grants authorized by various state and federal programs and made by foundations and corporations, and apply for same at a future date. This organization has received a \$30,000 grant from the Franklin Foundation

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Attachment to Form 3500

Question #7(h)

Lease

(NOTE: attach a copy of the organization's lease, if any, if 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.)