

TAX ALERT

3/8/2017

Appellate Court Rules against California FTB on LLC

California tax officials will not appeal an appellate court ruling that an out-of-state corporation with a small interest in a California investment fund doesn't owe the state's \$800 minimum franchise tax because it was not "doing business" in California. The company is an out-of-state corporation whose sole connection with California is a 0.2% ownership interest in a manager-managed California limited liability company (LLC), and it has no right of control over the business affairs of the California LLC.

What do I need to do?

The California Franchise Tax Board is expected to provide further guidance soon in light of this decision. In the meantime, out-of-state corporations, partnerships/LLCs who are members of California partnerships/LLCs will need to reconsider California filing requirements and determine whether filing protective claims for refunds for past filings are necessary pursuant to that forthcoming guidance. We encourage you to discuss appropriate actions with your tax advisor.

For More Information

Read the court's [full opinion on Swart Enterprises, Inc. v. FTB](#).