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### NEW DISSOLUTION PROCEDURES

By Victor Sy, CPA, MBA

Corporations, LLCs, LPs and LLPs are **no longer required to get a Tax Clearance** from the Franchise Tax Board upon termination. FTB will **no** longer assess these business entities or limited partnerships the **\$800** minimum franchise tax **after the business closes its doors**.

New law not only **simplifies the dissolution process**; it also allows the business entities **more time** to complete the steps to formally dissolve their business with the California Secretary of State.

For FTB not to assess the \$800 minimum tax, the entity **must meet all 3 of the following conditions**:

1. The entity files a timely **final tax return** on or before the extended due date for the preceding year;
2. The entity does **not do business** after the end of that year; and
3. The entity files a **Certificate of Dissolution, Certificate of Surrender or Certificate of Cancellation** with the SOS within 12 months from the date the final return was filed.

There is **no retroactive relief** to entities who failed to formally dissolve years ago and have accumulated minimum/annual taxes, penalties and interest.

For corporations whose status was “**conditionally dissolved**” with the SOS **are considered dissolved** effective 2006. Any document on hold with the SOS awaiting a Tax Clearance Certificate was considered to have been filed on September 29, 2006 if no other additional statement was required by AB 2341 for that particular filing, such as in a merger.

This is **not true for LLCs** whose status were “pending cancellation” with the SOS. AB 2341 did not automatically change the status of the LLCs to “cancelled.” FTB will continue to process Forms 3555 – Request for Tax Clearance Certificate – Corporations, received prior to September 29, 2006.