

Income/Franchise:

California: Class Action Certified for Out-of-State Investors Challenging Annual \$800 Limited Liability Company Tax

Case No. CGC-16-554150, Cal. Super. Ct. (1/25/24). In a lawsuit brought forth by two out-of-state limited liability companies (LLCs) on behalf of themselves, respectively, and as a putative class to recover California's annual \$800 limited liability company tax for the years at issue based on statutory and constitutional theories – including 2017 caselaw holding that an out-of-state corporation was not “doing business” in California when the corporation's only connection to California was its passive ownership of a 0.2% membership interest in a California-based manager-managed limited liability company [see previously issued Multistate Tax Alert for more details on this 2017 decision] – a California superior court granted the LLCs' motion for class certification in the proceeding. In the underlying lawsuit, the LLCs allege that the California Franchise Tax Board unlawfully collected the annual \$800 minimum limited liability company tax from out-of-state businesses that are not “doing business” in California under applicable law. Please contact us with any questions.

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/california-ftb-issues-guidance-on-application-of-swart-decision.html?id=us:2em:3na:stm:awa:tax:020224&sfid=7015Y000004RoVEQA0>

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