

[This Week in State Tax \(TWIST\) – January 17, 2011](#)

California: Disregarded Entities “Doing Business” in the State

The California Franchise Tax Board (FTB) has issued a legal ruling which addresses whether the sole owner of a disregarded entity is “doing business” in California based on the activities of the disregarded entity and therefore required to file franchise tax returns. The legal ruling addresses both qualified Subchapter S subsidiaries (QSubs) and single-member limited liability companies (SMLLCs). In both situations, the FTB determined (i) the activities of the disregarded entities are treated as activities of the owner, (ii) the owner is therefore doing business in the state and (iii) the owner is required to file franchise returns. In a third scenario, the FTB addresses the situation where a disregarded SMLLC is required to pay tax on behalf of the owner because the owner has not signed the consent section of FTB Form 568-LLC. In that situation, the FTB determined that even when the owner withholds consent on Form 568, nexus is not severed and the SMLLC owner must file franchise tax returns. For more information on Legal Ruling 2011-01, please contact Doug Bramhall at (480) 459-3491.

To listen to the MP3 audio recording of this TWIST episode, please [click here](#).

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