



New corporate hybrid form unacceptable

By Barry VanderKelen

Legislation is awaiting Gov. Jerry Brown's signature that would create a new hybrid corporate form.

This new form, the Flexible Purpose Corporation, would create greater flexibility for combining profitability with a broader social purpose.

Two bills aimed at accomplishing the same thing have passed the legislature.

One is SB 201, Flexible Purpose Corporations, and the other is AB 361, Benefit Corporations. Both are so loosely written that they should be vetoed; nonprofit members are encouraged to contact the governor's office asking for a veto.

Information about these bills can be found on the California Association of Nonprofits' website, www.canonprofit.org.

Entrepreneurs are already profiting from providing public benefits. Ethos Water and Tom's Shoes are two examples of for-profit companies using social benefits to drive sales.

And they do so without receiving many of the tax benefits offered to nonprofits. These benefits enable the nonprofits to provide the services the for-profits can't or won't.

In exchange for the tax benefits, nonprofits agree to limit their involvement in the legislative process and to reinvest excess revenue into programs and services.

As the sluggish economy continues, more people are asking nonprofits for services. Yet it seems more obstacles are being created that prevent people from receiving those services.

In California, nonprofit property

tax exemptions are being eliminated at a rapid rate, meaning these nonprofits spend money on property taxes rather than on services.

In Washington, President Obama has proposed capping the charitable deduction, which may mean a reduction in charitable gifts.

Rather than create more obstacles, legislatures need to support the work of nonprofits. Many states are creating new corporate forms that hold these ventures to the same level of scrutiny imposed on nonprofits; California would not if these bills are enacted. SB 201 and AB 361 should be vetoed.

Barry VanderKelen is Executive Director of the San Luis Obispo County Community Foundation. He can be reached at barry@slocf.org.

Resource Use

- Support nonprofit leadership
- Board development/training
- Strategic planning

Nonprofit Business Column of *The Tribune*

Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes a bi-weekly column to help strengthen nonprofit organizations in the community. See www.slocf.org.

The Tribune publishes the column every other week in the Business section.

Each column is reprinted as a one-page handout for use by local organizations. Barry can be reached at 543-2323 or by e-mail at barry@slocf.org.