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Testimony on Senate Bill 77

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Chair Holvey, members of the committee, my name is Peter Threlkel; I am the Director of the Corporation Division for the Secretary of State's office, here to talk with you today about Senate Bill 77.

Senate Bill 77 will limit the future use of a Corporation Sole as a tax-evasion scheme in Oregon.

A Corporation Sole is an obscure form of nonprofit corporation originally used by legitimate religious organizations as a way to hold property and conduct business for the benefit of the religious entity. A principal characteristic of the Corporation Sole allows the religious organization to appoint one person such as a bishop or abbot, as its sole financial officer to administer its assets, whereas a traditional non-profit organization must have a 3-person board of directors.

Due to heightened awareness of liability issues and fiduciary responsibility, most all legitimate religious organizations have elected to organize as traditional non-profit corporations and have ceased using the Corporation Sole organization form.

Of the 270 active Corporation Soles registered with the Secretary of State Corporation Division 175 (65%) have been filed in the last two years by tax scheme promoters as tax avoidance packages costing victims hundreds or thousands of dollars. Promoters frequently claim that people who form and transfer all their assets into a Corporation Sole are exempt from all taxes. In some cases, promoters market frivolous claims that the Corporation Sole exempts the person from federal, state and local laws as well.

According to an Internal Revenue Service bulletin:

A legitimate *corporation sole* is designed to ensure continuity of ownership of property dedicated to the benefit of a legitimate religious organization. A taxpayer cannot use a corporation sole created to avoid or evade income taxes as a means to exclude the taxpayer's personal income from tax.

Senate Bill 77 will limit the future promotion of these frivolous tax avoidance schemes by preventing the formation of new Corporation Soles after the effective date, and grandfathering in existing Corporation Soles who may continue to operate as long as they maintain annual registration requirements.

Thank you for allowing my testimony. I would be happy to answer any questions.