

STAFF MEASURE SUMMARY

House Committee On Business and Labor

Fiscal: Has minimal fiscal impact

Revenue: No Revenue Impact

Action Date: 05/18/15

Action: Do Pass.

Meeting Dates: 04/22, 05/18

Vote:

Yeas: 11 - Barreto, Barton, Doherty, Esquivel, Evans, Fagan, Heard, Holvey, Kennemer, Nosse, Weidner

Prepared By: Jan Nordlund, Committee Administrator

WHAT THE MEASURE DOES:

Prohibits the formation or incorporation of a corporation sole in Oregon on or after effective date of measure. Grandfathers existing corporations sole, contingent upon renewing registration. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Whether nonreligious organization can file as corporation sole
- Whether legitimate religious organizations will be disadvantaged by not being able to file as corporation sole
- When Utah eliminated corporation sole as filing option
- Tax schemes
- Advantages of traditional non-profit formation
- Whether a large filing fee could be assessed for corporation sole filing
- Large number of corporation sole filings in recent past

EFFECT OF COMMITTEE AMENDMENT:

No amendment.

BACKGROUND:

Corporation sole is an uncommon type of tax-exempt, non-profit entity allowed in Oregon. Oregon's corporation sole statute, ORS 65.067, allows a religious organization to appoint one person (e.g., a bishop or abbot) as its sole financial officer to administer its assets, whereas a traditional non-profit organization must have a three-person board of directors. A few religious organizations maintain corporation sole status, but most have transitioned to a more common non-profit form of corporation.

The Internal Revenue Service has identified corporation sole as being frequently used by individuals attempting to improperly avoid income taxes. Of 270 active corporation sole organizations filed with the Oregon Secretary of State, 175 (65 percent) were filed by one entity since December 2012. In the past two years, 212 new corporation soles were filed with the Secretary of State, of which 96 percent were identified as a tax avoidance scheme.