

**PUTTING THINGS TOGETHER:
SUBSIDIARIES, COMPLEX
ORGANIZATIONAL STRUCTURES, JOINT
VENTURES, AND JOINT FUNDING
VEHICLES**

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OVERVIEW OF PRESENTATION

- Selected choice of entity options
- Choice of entity considerations
- Case study

CHOICE OF ENTITY OPTIONS

- “Wholly owned” organizations
 - Section 501(c)(3) organizations
 - Supporting organizations
 - Type I, II, III (functionally integrated and non-functionally integrated)
 - Other Section 501(c) organizations
 - Single-member limited liability companies
 - Disregarded limited liability companies (LLCs) vs. “check-the-box” LLCs

3

CHOICE OF ENTITY OPTIONS

- “Wholly owned” organizations (cont.)
 - Taxable subsidiaries
 - State law business corporation vs. nonprofit corporation
 - Stock ownership vs. membership
 - “Check-the-box” LLC
 - S corporations = automatic UBTI

4

STAND-ALONE SECTION 501(C)(3) ORGANIZATIONS VS. SUPPORTING ORGANIZATIONS

- Use of SOs
 - Generally prefer stand-alone public charity to SOs
 - Can still maintain control over stand-alone public charity without tax restrictions placed on SOs
 - Use as parent entity
 - Which type to use?
 - Generally a parent can only be a Type II or Type III functionally integrated supporting

5

DISREGARDED SINGLE-MEMBER LLCs VS. SECTION 501(C)(3) ORGANIZATIONS

- Disregarded single-member LLC provides liability protection, separate governance and/or independence but no separate application/990.
- Contributions to disregarded single-member LLC are eligible for charitable contribution deductions.
 - IRS Notice 2012-52
 - However, can create issues for donors/grantors
- State and local sales and property tax exemption
 - Varies by state
 - TX: Disregarded single-member LLC subject to margin/franchise tax, sales tax, use tax, and generally not eligible for property tax exemption

6

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Title search: Putting Things Together: Subsidiaries, Complex Organizational Structures, Joint Ventures, and Joint Funding Vehicles

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