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

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

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

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

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

Also available as part of the eCourse
Nonprofit Organizations Structures: Putting Things Together and Taking Things Apart

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