

**HB 2109 A STAFF MEASURE SUMMARY****Carrier:** Sen. Knopp**Senate Committee On Rules**


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**Action Date:** 05/18/23  
**Action:** Do pass the A-Eng bill.  
**Vote:** 4-0-1-0  
**Yeas:** 4 - Hansell, Knopp, Lieber, Manning Jr  
**Exc:** 1 - Steiner  
**Fiscal:** No fiscal impact  
**Revenue:** No revenue impact  
**Prepared By:** Leslie Porter, LPRO Analyst  
**Meeting Dates:** 5/16, 5/18

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**WHAT THE MEASURE DOES:**

Prohibits corporation sole from being reinstated on or after June 8, 2015. Allows corporation sole that exists before June 8, 2015, to continue to operate as corporation sole if it remains active and was not dissolved. Takes effect on 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

- An explanation of corporation soles
- The decision of most religious organizations to become nonprofit organizations
- The Internal Revenue Service statement concerning corporation soles being used by individuals attempting to improperly avoid income taxes

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

Corporation sole is an uncommon type of tax-exempt, nonprofit 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 nonprofit 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 nonprofit form of corporation. The Internal Revenue Service has identified corporation sole as being used by individuals attempting to improperly avoid income taxes.

Legislation passed in 2015 (Senate Bill 77) prohibited the formation or incorporation of a corporation sole in Oregon as of June 8, 2015, and allowed existing corporations sole to continue operation "subject to the provisions of this chapter." The measure did not expressly prohibit reinstatement if the corporation sole was administratively dissolved. The Court of Appeals recently held in *Lee (House of R.E.A.P.) v. Secretary of State* (324 Or App 275 (2023)) that as written, ORS 65.067 does not prohibit the reinstatement of an administratively dissolved corporation sole because all of the provisions of ORS chapter 65 apply to corporations sole, including the provisions in ORS 65.654 providing a procedure for obtaining reinstatement during a five-year period following administrative dissolution.

House Bill 2109 A prohibits a corporation sole from being reinstated on or after June 8, 2015, but allows a corporation sole that existed before June 8, 2015, to continue to operate as a corporation sole if it remains active and was not dissolved.