

**OREGON STATE BAR**  
**Legislative Proposal**

**RE: Allow limited liability companies wholly owned by one or more nonprofit corporations to qualify for property tax exemption.**

**FROM: OSB Taxation Section**

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This bill would amend ORS Ch. 307

**1. PROBLEM PRESENTED**

Certain property held by nonprofit and tax exempt organizations, is exempt from real property taxes. Under Chapter 307, only property held by a nonprofit corporation qualifies for such property tax exemption; a nonprofit corporation cannot establish limited liability companies (LLC) to hold property and obtain tax exemption. An LLC is often used to buy real property in order to protect the owner from any unknown liability associated with the property, such as hazardous waste. It also provides liability protection if someone is injured on the property. Therefore, many nonprofit corporations would like to purchase property in an LLC, even though the LLC would be owned by the nonprofit corporation.

**2. SOLUTION**

The solution is to broaden the definition of a qualified owner of real property to include limited liability companies that are wholly owned by one or more nonprofit corporations. Such LLCs would qualify for property tax exemptions. If an LLC is wholly owned by one member, it is ignored for income tax purposes, yet provides the charity with liability protection. Note that if a claim is made against the charity itself, the LLC is an asset of the charity, and would be subject to creditor claims.

**3. PUBLIC POLICY IMPLICATION**

Greater flexibility for structuring real property holdings of nonprofit corporations, to enable them to have the same flexibility that is already available if the charity places the property in a corporation.