

***Beyond Bureaucratic
Boundaries:***
**Understanding the Freedoms of
Corporation Sole**

An educational booklet provided for private use only

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FOREWORD

By Joe Lansing, Chief Executive Officer, Sole Resources

As a corporation sole, Sole Resources has a very particular and distinctive mission. We provide enough meaningful information to help people establish and operate a corporation sole. Many people hold theological, spiritual and biblical beliefs and they seek to apply those beliefs in secular life. Individuals or organizations searching for some form of incorporation for their spiritual work face countless issues concerning the use of the modern corporation within the context of churches and other qualified organizations. We hope that this educational material will help you to understand the freedoms of a corporation sole.

*We aim to provide this only to individuals and organizations whose true intentions are eleemosynary (related to charity), as opposed to those with simply selfish and self-centered motives. Sole Resources supports the establishment of a corporation sole **ONLY** for religious, educational or charitable purposes. Sole Resources **DOES NOT** support, condone or intend to participate in any way in the formation or operation of a corporation sole for any illegal, fraudulent or unethical purposes. Sole Resources maintains spiritual, moral, legal and ethical integrity in all matters.*

We support a government's right to exercise its powers within the proper context. There are some instances where intrusion by government agencies, such as the Internal Revenue Service, may not always serve the best interests of certain individuals or organizations. Be aware that the IRS and the courts consider substance over form, even within the context of churches and religious societies. However, the ultimate judgment concerning abusive practices lies with a power far beyond any government agency.

This booklet explains the structure of a corporation sole, its uses & benefits, how it has evolved to its present legal form and how the IRS and the courts view them in a variety of applications. This is by no means a comprehensive and definitive work.

Several facts are clear: a corporation sole is powerful and respected; the body of law is definite; and a corporation sole's concepts are sacred. For this last reason alone, one should enter the office of a Corporation Sole as one would enter a direct relationship with God. They are, in fact, the same.

Should you or any of your advisors require additional information and/or references, we will gladly provide them for you.

“But Jesus knew their thoughts, and said to them: “Every kingdom divided against itself is brought to desolation, and every city or house divided against itself will not stand.” Matthew 12:25

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Introduction

Modern people and organizations must function in an environment that involves innumerable complex issues. Commerce, governmental regulation and spiritual matters each pose their own difficult challenges. When these realms interact, special considerations arise. How can an individual or group lawfully conduct financial affairs in accordance with their own belief system in a diverse world?

For more than 450 years, the legal structure known as *corporation sole* has helped to overcome many significant challenges. The increasingly complicated issues of our modern world make a corporation sole a progressively more valuable instrument, yet few people are aware of its considerable power. Any individual may establish a corporation sole for religious, charitable or educational purposes and function without interference to achieve those objectives.

A corporation sole offers many freedoms from ordinary constraints. In order to reach its goals, it may raise and spend funds in a number of appropriate ways. The corporation sole can be engaged in any lawful occupation, business or profession and accept all types of contributions from donors. Because it is established and operated for specific objectives, the corporation sole enjoys special exceptions from ordinary corporate law.

The recognized freedom from government regulation and intrusion into the affairs of a corporation sole provides unique benefits:

- ✍ Protects religious or spiritual beliefs
- ✍ Protects assets, such as real estate
- ✍ Provides significant tax advantages
- ✍ Provides recognized sovereignty
- ✍ Allows individuals to remain anonymous
- ✍ Allows donors to claim tax deductions
- ✍ Allows perpetual succession without interference
- ✍ Reduces paperwork
- ✍ Limits personal legal liability

Legally, the corporation sole operates on solid ground. While English common law provides the foundation for the legal concept, governments worldwide acknowledge its privileges. The First Amendment to the United States Constitution declares that, “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof...” The documented decisions of legislative, judicial and executive branches of the federal and state governments, including the Internal Revenue Service, respect and support the corporation sole’s rights to operate beyond bureaucratic boundaries.

The Business Structure

The legal business structure determines how a business, group or individual conducts commerce, how they report the results of their transactions and the amount of taxes to pay. There are several options to consider when selecting a legal structure. Generally, businesses form sole proprietorships, partnerships or one of several types of corporations. Each structure has distinctive characteristics, advantages and limitations.

Choosing the correct legal structure is an obvious consideration when operating a company, but it may also be an important concern in how an individual handles certain affairs. Individuals and non-profit organizations, as well as companies, engage in commerce. All of them may provide goods or services for a fee, buy supplies, pay expenses, purchase and sell property, enter into contracts, contribute to charitable causes and a conduct a variety of other transactions. Individuals also have retirement and estate planning considerations. Forming a corporation may provide several lucrative advantages for an individual, especially if they have a greater purpose than simply generating profits.

The Merriam-Webster Collegiate Dictionary defines a corporation as, “a body formed and authorized by law to act as a single person although constituted by one or more persons and legally endowed with various rights and duties including the capacity of succession.” Incorporation creates a legal entity separate from its ownership, known as the “corporate veil,” which protects individuals from certain legal burdens. Forming a corporation also subjects revenue and assets to special tax arrangements.

While the “C”-corporation, “S”-corporation, Limited Liability Corporation (LLC) “501(c)3” non-profit corporation are common types of incorporation, few people are aware of the special type of private individual incorporation known as a *Corporation Sole*.

WHAT IS A CORPORATION SOLE?

A corporation sole is a legal entity consisting of a single person, incorporated by law to provide legal capacities and advantages which a natural person does not possess. The corporation sole is a private spiritually-based organization that is recognized by governments. By itself, the corporation sole does not fall under the jurisdiction of a government, although it must operate under certain guidelines. It has the ability to own property, maintain bank accounts, make legal contracts and take legal action. It is also subject to civil lawsuits.

There are five major factors to consider in understanding the corporation sole business structure:

1. It is a distinct legal unit
2. It is wholly controlled by an individual
3. It has special capabilities
4. It operates beyond secular authority
5. It is recognized by governments

Separation Creates “The Corporate Veil”

Forming any type of corporation effectively creates a new legal being which is separate from the person or persons who created it. In essence, the corporation becomes a citizen in many ways in the eyes of the law. It has specific legal rights and carries its own responsibilities, based upon its structure and purpose. The separation between a corporation and its ownership, known as “the corporate veil,” provides a barrier against individual liability resulting from the actions of the corporation. The corporation operates as an independent unit, although it is under the control of another individual or group.

One Person Completely Controls a Corporation Sole

In most cases, an established board of directors controls a corporation according to certain specific guidelines as set forth in the articles of incorporation. The corporation’s owner or shareholders usually elect the board of directors and have the power to remove them from office. The articles of incorporation usually require the election of a secretary, treasurer and other officers and force them to perform certain duties in a particular manner.

However, a corporation sole operates under the exclusive direction of an individual without any other officers or any established internal procedures. In this case, there are no by-laws to regulate how the corporation operates or a board of directors to dictate the course of action. The person controlling the corporation sole, in the same

manner as any other individual acting in his own right, exercises their will and judgment to manage the affairs of the corporation. The power to conduct the affairs of the corporation sole rests entirely with one specific person at their complete discretion.

The person directing operations has the right to perform the following functions on behalf of a corporation sole, as they deem necessary:

- a. Represent the corporation in court to sue others, and to defend the corporation, in all legal matters and proceedings;
- b. Contract in the same manner and to the same extent as a natural person, for the purposes of the Corporation and any resulting trust;
- c. Borrow money, issue promissory notes, and secure the payment by mortgage or other lien upon property, real or personal;
- d. Buy, sell, lease, mortgage and deal in real and personal property in the same manner that a natural person may, without the order of any court;
- e. Receive bequests and devises for its own use or upon trusts to the same extent as natural persons may, subject, however, to the laws regulating the transfer of property by will;
- f. Be a promoter, partner, member, beneficiary, associate or manager of any partnership, joint venture, trust or any other entity;
- g. Conduct its activities, locate offices and exercise any powers granted by charter;
- h. Carry on any business or any number of businesses;
- i. Appoint attorneys in fact;
- j. Dissolve, merge or reorganize as provided for by law;
- k. Perform any other act, consistent with the director's sincerely held religious beliefs, the natural law, private law, common law, and biblical law that further any or all of the activities and affairs of the corporation.

Exclusive Status Provides Exceptional Abilities

Unlike an individual or other business structures, a corporation sole has the potential to operate forever with few restrictions and without interruption. The physical nature of natural persons limits their capabilities, while the spiritual character of the corporation sole allows it to operate beyond the conventional limitations of time and space. A corporation sole also functions without many of the restrictions of other types of corporations.

People are subject to illness, disability, confinement and death. Unincorporated businesses, such as sole proprietorships or partnerships, may also cease to exist upon the death of a natural person. Upon their death, a person's or their company's assets may be subject to certain legal proceedings to determine and execute an orderly succession. Probate, escrow, estate challenges and executor difficulties may prevent the timely transfer of material goods, funds, stocks and real property. A corporation sole exists

perpetually unless the person in control decides to dissolve it. In the event of the Director's disability or death, control of the corporation simply and immediately shifts to the next person in the line of succession.

A corporation sole enjoys several special privileges not accorded to other forms of incorporation. The Uses & Benefits section of this booklet details the extraordinary capabilities provided by a corporation sole's particular status. Most importantly, it is usually free to operate regardless of geographical or political boundaries and its ability to operate beyond the control of secular authority provides numerous advantages.

The Authority Is Wholly Spiritual

While governments typically grant the right of incorporation for groups of people, a higher authority actually empowers a corporation sole. Since it is essentially a spiritual organization, a corporation sole operates beyond the influence of secular institutions, such as national, state or local governments. The deeply-held belief upon which the corporation sole is based possesses the ultimate authority over the corporation. The right to administer, manage and regulate the affairs, assets and worldly considerations of the corporation sole remains solely with the person controlling the corporation.

The fundamental freedom from government regulation provides many of a corporation sole's greatest benefits. This booklet's Uses & Benefits section provides information regarding the specific advantages and the Legal Background portion presents legitimate proof of the corporation sole's lawful exceptions as recognized by governments.

Governments Acknowledge Sovereignty

Governments worldwide recognize the legitimate existence and autonomy of the corporation sole. English Common Law provided the origin and evolution of the modern legal concept that the world accepts today. The model traveled to America with the early English colonists and has been recognized by the United States since its independence. The Canadian government not only recognizes the corporation sole, but also uses the form itself for executives and administrators. Likewise, the Vatican uses the form for the pontiff, cardinals, bishops and priests around the globe. Generally, other countries acknowledge the legal principle of "comity," or lawful courtesy, which leads them to accept institutions established by foreign governments as valid entities.

In addition to the precedents established and recognized by common law in the United States, seventeen states have statues regarding the formation of a corporate sole. The Office of the Governor of State of Tennessee is an established and recognized corporation sole. Ultimately, the federal government in America recognizes the privileges

of this particular business structure through Supreme Court cases and Internal Revenue statutes. More information concerning the legal concepts, statues and various court opinions may be found in the Legal Background section of this booklet.

WHO MAY FORM A CORPORATION SOLE?

Any individual may legally file to form a corporation sole in the United States of America. The law does not require the person controlling the corporation to be a citizen or resident of this country. However, a resident agent is required to represent the corporation in order to process legal paperwork. The agent simply provides a contact point for legal notices and may supply that service on a contractual basis.

Traditionally, religious leaders, rulers or public officials formed a corporation sole. For instance, a bishop, chief priest, presiding elder, or other presiding officer of a religious denomination, society or church may have established a corporation sole for the purpose of administering and managing the affairs, property and worldly affairs of the religious body. Likewise, royalty or public servants formed the corporation sole to manage the affairs of state or administer their jurisdiction. Great Britain's monarchy utilizes a corporation sole currently controlled by Queen Elizabeth II and the mayors of London managed the city's business under the structure for centuries. However, conventional religious ordination, royal lineage or political endorsements *are NOT requirements* to establish and run a corporation sole.

Many People Have Noble Intentions

Many people have reached a point in their lives where they can meet their basic financial needs. They have sufficient income to care for their own families. They may own their home and other properties, as well. They may be professionals; perhaps they own or operate a business. They may have strong personal beliefs or simply have an interest in helping those less fortunate than themselves. They may want to contribute to admirable humanitarian causes or enrich their own spiritual growth.

In these cases, establishing and operating a corporation sole may help them achieve their goals. The corporation sole can make it easier for them to devote more time and resources to these efforts. They may wish to establish a new business to generate additional revenue, change a current business structure to make more funds available or extend their salary to make their aspirations possible. The corporation sole's freedoms from elaborate governmental regulations and excessive taxation make more time and money available for discretionary activities.

The Reasons Are Crucial

While there are no specific requirements under the law for the person who establishes the corporation sole, the reasons for forming the business structure are vitally important. A corporation sole formed for religious, educational or charitable purposes does not fall under the jurisdiction of any government, although it must operate under certain guidelines to qualify. In particular, the United States Internal Revenue Service considers substance over form in tax matters.

Sole Resources supports the establishment of a corporation sole ONLY for religious, educational or charitable purposes. *Sole Resources* DOES NOT support, condone or intend to participate in any way in the formation or operation of a corporation sole for any illegal, fraudulent or unethical purposes. *Sole Resources* maintains spiritual, moral, legal and ethical integrity in all matters.

WHAT IS “RELIGION” UNDER THE LAW?

A corporation sole remains free from government interference and regulation because of the spiritual nature of its purpose. The First Amendment to the United States Constitution states that, “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof...” The law says that religion simply includes a sincere and meaningful belief that occupies a place in the life of a person. That belief does not have to involve a supernatural power or conform to the ritual or doctrine of a traditional church. What is “spiritual”, “religious” or a “religion” depends entirely upon a person’s personal belief and not upon any organized or official proclamation.

The law considers charitable and educational activities as spiritual or religious practices under certain circumstances. For example, missionary work to feed, house and clothe people or to educate someone about spiritual matters has traditionally been considered an integral function of religious bodies. The government cannot dictate the nature of the charitable services or the educational concept. These services constitute the free exercise of religion and the law forbids government intrusion in these functions.

Through a corporation sole, an individual may attain privacy and protection while maintaining communion with a higher authority. A sacred charter enables the person to follow their heart, but it is not an escape from responsibility. Following a sincere belief system, whether or not those beliefs include “God” or a “Supreme Being”, provides the respected freedom from legislative authority and taxation.

HOW DOES CORPORATION SOLE COMPARE WITH OTHER BUSINESS STRUCTURES?

The type of business structure is an important factor in how you operate and how much you pay in taxes. Most people simply conduct business as individuals until they start a company. For business purposes, they typically establish one of five types of legal forms: sole proprietorship, partnerships, “C” corporation, “S” corporation or Limited Liability Company (LLC). For charitable or educational purposes, people usually choose the “501(c)3” non-profit corporation. The corporation sole is the least-understood, most neglected and rarest form of business structure, yet provides more benefits than any other form.

Sole Proprietorship Brings Few Benefits

The most common and basic business structure is the sole proprietorship. This structure merely allows an individual to operate an enterprise. The owner must maintain and file specific paperwork and be accountable for the actions of the company. The company’s income must be included on the individual’s personal federal income tax return by filing IRS Form 1040 with a Schedule C to report the net loss or profit. The individual may also be required to file a Schedule SE for the mandatory self-employment taxes. In addition to the annual filing, the person must also calculate and pay estimated quarterly tax payments. There may also be state and local income taxes to file. While the proprietor alone controls the operations, they also accept total responsibility for the company and are liable for any losses or damages the company may incur. The business structure dissolves upon the death of the owner. The individual control is attractive, but the personal responsibilities, liability, taxes and lack of continuity are considerable weaknesses.

A corporation sole provides the individual control of a sole proprietorship, without the disadvantages. There is much less paperwork and there are no income reporting requirements. Personal liability is limited. The corporation sole is not subject to income taxes. The organization continues in the event of death and control simply transfers to the next person in succession.

Partnerships Divide Control and Liability

A partnership allows two or more people to share in the profits or losses of a business. The partners must agree on matters of control and, usually, each partner is personally liable for a portion of the financial obligations of the business. Sometimes, a single partner can be personally liable for the full amount of a partnership’s debt. The primary advantage of a partnership is that the organization itself does not bear the income tax burden. The paperwork requirements are similar to the sole proprietorship and

partners must report their share of income on their individual income tax returns. The business structure often dissolves upon the death of a partner and there may be legal issues involving distribution of assets. While a partnership allows two people to work together and share rewards of the business activities, it usually means a loss of individual control. However, it also allows the partners to divide the responsibilities and liabilities to lessen each individual's burden. In a partnership, as well as a sole proprietorship, the personal responsibilities, liability, taxes and lack of continuity are still considerable weaknesses.

A corporation sole affords the opportunity for several people to work together toward a common goal without the disadvantages of a partnership. While a single person retains control of the organization, the number of persons who may participate and enjoy the benefits is not limited. There is much less paperwork and there are no income reporting requirements. Personal liability is limited. The corporation sole is not subject to income taxes. In the event of death, control transfers to the next person in succession and the corporation sole continues.

Aggregate Corporations Surrender Control to Limit Liability

Groups of people form aggregate corporations as separate legal entity to manage the responsibilities of the organization. Corporate shareholders appoint a board of directors that appoints officers to control the organization. The major benefit of incorporation is the limitation of personal liability. Shareholders' liability is limited to the amount of their investment in the company's stock. The government taxes the corporation directly and can hold the organization legally liable for its actions. The corporation can also make a profit and distribute earnings to shareholders. The government taxes these earnings again as personal income. The "S" corporation (or Subchapter corporation, a popular variation of the standard "C" corporation) avoids this double taxation by allowing shareholders to only report the organization's income on their individual tax returns, similar to a partnership. The record-keeping requirements become more complicated under these structures. The corporation can survive the death of individual shareholders, but the transfer of stock requires a legal process and may be subject to estate taxes.

A corporation sole also creates a separate legal entity to provide a "corporate veil" and limit personal legal liability. However, a single person retains control of the organization and the corporation sole is not subject to income taxes. There is much less paperwork and there are no income reporting requirements. Unlike an aggregate corporation, the corporation sole does not distribute earnings, but retains them to further the organization's objectives. In the event of death, control simply shifts to the next person in succession without lengthy legal proceedings or taxation and the corporation sole continues.

LLC Limits Liability While Retaining Partnership and Corporate Weaknesses

The Limited Liability Company (LLC) is the newest form of business structure. It combines some of the benefits of the corporation with the form of a partnership while retaining some disadvantages. While limiting individual liability like a corporation, it acts similar to a partnership by allowing shareholders to only report the organization's income on their individual tax returns. The paperwork requirements are more complex than a partnership and partners must report their share of income on their individual income tax returns. The partners must agree on matters of control. Individual states have differing laws regarding the continuity of the LLC and the business structure often dissolves upon the death of an owner. There may be complicated legal issues involving distribution of assets depending upon where the company is registered. In a LLC, the division of authority, complicated reporting requirements, tax liabilities and questionable continuity are disadvantages. A corporation sole limits individual liability, eliminates reporting requirements and is not subject to income taxes. A single person retains control of the organization. Recognized succession ensures the continuity of a corporation sole.

501(c)3 corporation eliminates taxes, but not government authority

The "501(c)3" non-profit corporation is formed for religious, charitable or educational purposes rather than to simply generate profits. This type of business structure demands all of the same paperwork and organizational requirements as a typical corporation, but non-profit organizations must also apply for and maintain tax-exempt status at both the federal and state level. To qualify for tax-exemption at the federal level, the corporation must prepare and file IRS Form 1023 for approval. State requirements vary. The personal liability is limited, but the corporation must comply with corporate formalities, adopt bylaws and hold annual meetings of directors and members. The 501(c)3 organization must completely disclose financial information as a matter of public record in annual reports to the IRS. The IRS requires the organization to maintain detailed records of all income and disbursements, which become a matter of public record. Contributions are tax-deductible for donors. The 501(c)3 does not distribute dividends like a typical corporation, but retains net income to further the organization's objectives. The government dictates the allowable activities in which this type of corporation may engage to produce income and the IRS monitors revenues. The non-profit corporation continues to exist in the event of a board member's death, but may be required to elect a new director to assume responsibility. The 501(c)3 corporation's major disadvantages are the amount of paperwork, the reporting requirements, the surrender of authority to a board of directors, the election of a successor and government intrusion.

A corporation sole also is formed for religious, charitable or educational purposes and does not pay income tax. Contributions in both cases are tax-deductible. However, there is much less mandatory paperwork and there are no revenue reporting requirements. Unlike a "501(c)3" corporation, the government does not require a corporation sole to

record charitable contributions and report income or the distribution of funds. Neither of these corporation types distributes profits to shareholders, but instead they retain net income to further the organization's objectives. An individual, rather than a board of directors, controls the affairs of a corporation sole. In the event of death, a corporation sole's control simply shifts to the next person in succession. A corporation sole is the only business structure that provides complete privacy, uninterrupted succession and freedom from government intrusion.

WHAT ARE THE LIMITATIONS OF A CORPORATION SOLE?

Every business structure has its limitations. While a corporation sole provides several distinct advantages, there are also a few constraints to consider when establishing and operating a corporation sole. As a legal enterprise, the corporation sole must follow the law in all cases. The business structure does not allow an individual to mask illegal activities or evade laws, but a different set of legal standards applies to a corporation sole. The primary restrictions concern the organization's purposes and the absence of dividend distribution.

A Corporation Sole Must Declare Its Intentions When Registering

Most states that register a corporation sole for legal purposes require a statement of its objectives. This usually includes classifying the organization as a religious, charitable or educational concern and a statement regarding the objectives. Appropriate missions are discussed in the next section of this booklet, under Uses & Benefits.

A Corporation Sole Does Not Pay Dividends to Stockholders

The corporation sole does not dispense excess cash as awards in the same manner as a standard corporation because its purpose is fulfilling a spiritual, charitable or educational mission, rather than generating wealth simply to enrich stockholders. A corporation sole does not sell shares or have stockholders. The corporation sole retains the total difference between expenses and income to further the mission. In fact, the protections against governmental intrusion are based, in part, upon the provision that no part of the net income is routinely devoted to the benefit of any private stockholder or individual. This business structure allows for a greater positive cash flow and there are a variety of acceptable ways to spend the proceeds. This booklet examines the methods of generating income and its appropriate uses in the following section.

A Corporation Sole Requires a Particular Naming Convention

Corporations typically include the term “Corporation” or “Incorporated” in the official name. Since an individual registers a corporation sole with the intention of performing a specific function, the designation of an “Office” is customary. Actually, it is the incorporation of that office, rather than the incorporation of the particular person, which allows the corporation sole to operate in its specific manner. The individual simply holds the office for their lifetime (or a dedicated period) and a designated successor assumes the perpetual office. Therefore, the corporation sole carries a title as a vital part of the name.

These titles may be traditional, as in the case of ancient religious bodies, or more contemporary. Traditional titles include the Office of Archbishop, the Office of Governor, the Archbishop of Canterbury, the Office of the Presiding Elder, the Office of the Overseer, etc. Contemporary titles include such designations as the Office of the Director, the Office of the Chief Administrator, the Office of the Superintendent, the Office of Supervisor, etc. Some of these titles may sound religious in the conventional sense. However, they are simply examples of titles included for form. The actual title selected should not pose any conflicts or compete in any way with your particular church, religion or spiritual beliefs. The organizational name follows the title and usually concludes with the phrase, “and his successors, a corporation sole.” The official name might appear, for example, as The Office of the Presiding Elder of Sole Resources, and his successors, a corporation sole.

Uses & Benefits

An individual may form a corporation sole for religious, charitable or educational purposes. In order to perform these specific objectives, it may raise and spend funds in a number of appropriate ways. The corporation sole can be engaged in any lawful occupation, business or profession and accept all types of contributions from donors. Donors may deduct the gifts from their income taxes as charitable contributions. The corporation sole may spend its income for a variety of expenses related to its mission, including providing for the needs of persons engaged in the mission.

Early forms presented missions clearly intended for the establishment or operation of a traditional church or to conduct civic affairs. For example, the mission statement for the Office of the Archbishop might state that the objective of the office is “to administer the affairs and manage the property of the Roman Catholic Church for the Archdiocese of Canterbury.” Contemporary objectives may be more obscure, but it is the intended actions of the corporation sole which are considered the true test of its purpose. In particular, the United States Internal Revenue Service and the court system will consider substance over form in their appraisals.

Because it is established and operated for specific objectives, the corporation sole enjoys exceptions from ordinary corporate law. This freedom from government regulation and intrusion into the affairs of a corporation sole provides unique benefits:

- ✍ Protects religious or spiritual beliefs
- ✍ Protects assets, such as real estate
- ✍ Provides significant tax advantages
- ✍ Provides recognized sovereignty
- ✍ Allows individuals to remain anonymous
- ✍ Allows donors to claim tax deductions
- ✍ Allows perpetual succession without interference
- ✍ Reduces paperwork
- ✍ Limits personal legal liability

The corporation sole has many uses in the modern world. This text simply explores some useful examples of their abilities and proper functions. While secular establishments may examine the administration of a corporation sole, the ultimate authority lies beyond bureaucratic boundaries.

WHAT IS AN APPROPRIATE MISSION?

Since the corporation sole is established for religious, charitable or educational purposes, the mission must relate to these purposes to qualify. Registering a corporation sole generally requires the statement of an objective. These mission statements vary widely. They may be rather broad or focus on a particular function related to the purpose. Experienced professionals can assist with the formation of appropriate mission statements for specific instances. Consultation with established corporation sole experts is strongly recommended prior to filing any legal documents. Since specific circumstances differ greatly, this information only covers the general concepts involved. There are several interesting points to consider concerning a corporation sole's mission.

A Religious Mission Depends Upon the Belief

The mission statement for an organization formed for a religious purpose should follow the particular belief involved. Under the law, religion simply includes a sincere and meaningful belief that occupies a place in the life of a person. That belief does not have to involve a supernatural power or conform to the ritual or doctrine of a traditional church. What is “spiritual”, “religious” or a “religion” depends entirely upon a person’s personal belief and not upon any organized or official proclamation. Since these beliefs may vary greatly, expert consultation is important to evaluate the mission and appropriate uses in these cases.

While the nature of the belief directly affects the intended functions, it is interesting to note that the application of the strongly-held belief, or living according to the principles of the belief, could qualify as a religious mission. Just as Christian monasteries have traditionally served to allow monks to practice their beliefs in an appropriate setting, a different belief system may allow devotees the proper environment to practice certain spiritual principles within their particular lifestyle.

Similarly, supporting or encouraging the belief in some way might be an appropriate function. Providing means for others to practice the belief or creating an awareness of the belief may be considered suitable tasks for a corporation sole. Generally, these functions may be regarded as charitable or educational missions.

Charity Is Not Restricted By Manner or Resources

Charitable, or eleemosynary, purposes support benevolent goodwill, a love of humanity or generosity and helpfulness toward others. Considering a broad definition of charity permits a vast array of possibilities. Charity takes numerous forms and may not require the expenditure of enormous resources. People who want to perform good deeds often abandon the notion because they feel that they cannot make a significant difference. They are also often intimidated or frustrated by bureaucratic organizations or government

agencies. Sometimes, specific needs or tasks are neglected by established organizations. The corporation sole allows individuals to act on their own or in concert with others to perform charitable acts as they see fit.

Individuals, families or other groups with limited resources for charitable work might find the corporation sole business structure particularly helpful. The freedom from tax burdens makes additional financial resources available to provide services. For instance, the elimination of estate and inheritance taxes alone may supply funds for worthy causes. Tax-deductible gifts also increase the amount of capital available for projects and make fundraising efforts more effective.

The resources a corporation sole devotes to charitable acts are exclusively at the discretion of the administrator. Awards of cash, services or goods are acceptable and remain anonymous. Since the corporation sole does not have to report the income or distribution of funds to any agency, the amounts it disburses and the recipients of the assets are completely confidential.

Education Does Not Need to Be Institutional or Non-discriminatory

Considering education simply as a process of mental, moral or artistic development, or providing information, offers a wide variety of possibilities for this purpose. Typically, people think of education as occurring in an institutional setting, much as the same way that they consider religion as functioning within the confines of a church facility. Formal instruction methods, conventional subject matter or a particular environment are not necessary for educational purposes in relation to a corporation sole structure.

Like charity, education takes numerous forms and may not require the expenditure of enormous resources. Government agencies regulate civil educational systems and may, by agreement, intrude upon private educational institutions that receive government funding. However, the government has no authority over a privately controlled and financed corporate sole. The corporation sole allows individuals to act on their own or in concert with others to provide information, instruction and training without restrictions upon the subject matter, environment or selection of participants. The type, manner and availability of the education process remains at the exclusive discretion of the individual directing the corporation sole.

WHAT ARE A CORPORATION SOLE'S LEGAL ABILITIES?

A corporation sole is a legal entity incorporated by law to provide specific legal capacities. It has the ability to act in the same capacities as a natural citizen, including:

1. Buy, sell, lease, mortgage and deal in real and personal property
2. Contract in the same manner as a natural person to fulfill its mission
3. Borrow money, issue promissory notes, and secure the payment by mortgage or other lien upon property, real or personal
4. Receive bequests and donations for its own use subject, however, to the laws regulating the transfer of property by will
5. Own and operate, wholly or in part, any partnership, joint venture, corporation, trust or any other business entity;
6. Conduct its activities, locate offices and exercise its privileges
7. Carry on any business related to its mission, such as maintaining bank accounts
8. Dissolve, merge or reorganize as provided for by law
9. Engage in lawsuits
10. Perform any other act, consistent with the director's sincerely held religious beliefs, the natural law, private law, common law, and biblical law that further any or all of the activities and affairs of the corporation.

WHAT ARE THE BENEFITS OF A CORPORATION SOLE?

While there are numerous advantages to the corporation sole business structure, the major benefits are a result of its independence from worldly considerations. The freedom from legislative authority provides several significant and distinctive benefits. This special status protects religious or spiritual beliefs and worldly assets; provides recognized sovereignty and significant tax advantages; allows an individual to remain anonymous, donors to claim tax deductions and perpetual succession without interference; reduces paperwork and limits personal legal liability.

Special Status Protects Belief System

The First Amendment to the United States Constitution states that, "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof..." The law says that religion simply includes a sincere and meaningful belief that occupies a place in the life of a person. No earthly authority can dictate or regulate the nature or extent of the belief. The religious conviction or spiritual principle does not have to involve a supernatural power or conform to the ritual or doctrine of a traditional

church. In fact, the United States of America was established largely as a result of conflicting religious ideas and specifically defends the right to contradict opposing religious ideas.

A corporation sole also protects the right to actually practice the particular belief, as long as the practice does not interfere with the legal rights of others. The free exercise of the belief enjoys specific legal protection. Like the belief itself, the governing principle guards the application of the belief against hindrance. Secular authorities simply do not have the jurisdiction to guide religious observances.

The Structure Safeguards Worldly Assets

A corporation sole protects property and possessions in a very practical manner. A corporation sole, as an entity of itself, may possess any form of asset that an individual may possess. This includes real estate, money or any other form of material goods. Since the corporation sole is not subject to any government intrusion or reporting requirements, the nature, location and extent of these assets may remain confidential information. The corporation sole is not required to keep or disclose any records concerning its assets and the government cannot restrict the use or distribution of those assets.

Therefore, even in the event of a judgment against the corporation sole, it would be virtually impossible to locate, lien, levy or seize a possession. Courts have also established the immunity of any assets titled in the name of a corporation sole in an attempt to satisfy a personal judgment against the person in control, even if the officeholder previously owned those assets. While individuals and a corporate sole are both subject to lawsuits and legal proceedings, there are no substantive means to collect reparations when the assets are in the possession of the corporate sole.

Governments Recognize Autonomy

Governments worldwide acknowledge the legal existence and respect the independence of the corporation sole. Filing registration documents provides assurance that the government recognizes this autonomy. In essence, a corporation sole is self-governing much like a sovereign nation. The comparison between the officeholder and a monarch seems fitting because each directs the affairs of the organization at their complete discretion. In fact, the British Crown still operates as a corporation sole with Queen Elizabeth II as the officeholder in complete control of all its own affairs. (A previous office holder, King John in 1217, did obligate all succeeding officeholders to grant “to all freemen of our kingdom” the rights and liberties the Magna Carta described and voluntarily placed himself and England’s future sovereigns within the rule of law.)

The person in control of a corporation sole is under no obligation to answer to an internal authority for their actions on behalf of the corporation, either. Unlike other forms of incorporation, there are no stockholders or a board of directors to hold the person accountable and statutory law does not require the “Arm’s Length” test as is the case in a Grantor/Settlor relationship with a Trust.

Britain, Canada, United States and numerous other free governments recognize the privileges of this particular business structure through common and statutory laws. More information concerning the legal concepts, statues and various court opinions may be found in the Legal Background section of this booklet.

Government Recognizes Exception from Taxation

Since the government can make no laws regarding the operation of a corporation sole, it cannot subject the organization to taxation. The Internal Revenue Code specifically provides for the exception from federal reporting and taxes. The INTERNAL REVENUE CODE, SECTION 6033 (a) exempts’ religious organizations from the need for filing returns of any kind. Sec. 6033 (a) (2) (A) (i) provides for mandatory exceptions to filing requirements for religious organizations and states that filing requirements shall not apply to qualified organizations.

In summary, the tax laws effectively PROHIBIT a corporation sole formed for religious purposes from filing income tax returns!

The Supreme Court recognizes the validity of this exception and several other exceptions from taxation involving a corporation sole.

Individuals May Remain Anonymous

A corporation sole does not have to release any records and, thus, the lack of government authority effectively protects the identity of individuals involved with the organization. In practical application, a registered agent is required for the official record when registering the corporation sole and the person in control of the organization may utilize certain legal capacities that reveal their identity. Other participants may choose to keep their involvement confidential and a corporation sole is not under obligation to release any information concerning those involved in operations. However, certain donors may wish to claim gifts as income tax deductions and that instance requires an individual or other entity to report their specific contribution.

Donors May Claim Tax Deductions

The Internal Revenue Code allows individuals and businesses to annually deduct a certain amount of charitable contributions to non-profit organizations, including a corporation sole.

Chain of Control Cannot Be Broken

Probate, escrow, estate challenges and executor difficulties may prevent the timely transfer of material goods, funds, stocks and real property in the case of natural persons or other business structures. However, these limitations do not apply to the corporation sole. In the event of the director's disability or death, control of the corporation simply and immediately shifts to the next person in the line of succession.

A corporation sole, once established, exists eternally because of its spiritual nature and does not depend upon the mortal life of the person authorized to control it. While other legal entities may perish, the corporation sole may exist in perpetuity unless the person in control decides to dissolve it. Guidance of a corporation sole rests with one of a series of single persons succeeding one another in the office. Since the corporation sole is not subject to government interference, the right to determine succession rests wholly with the officeholder.

The officeholder may specify a particular person as successor or establish a method of determining the right of succession. Once determined, there is no authority to contest the decision. Therefore, the person registering the corporation sole provides a specified structure of continuing operation. Unlike other structures, a corporation sole exists vertically in time and this recognized succession ensures the continuity of a corporation sole.

Freedom from Legislation Means Less Paperwork

While individuals and other business structures are subject to government reporting and record-keeping requirements, there is little need for paperwork in the corporate sole environment. Since the government can make no laws regarding the operation of a corporation sole, it cannot require the normal preparation and submission of records for the organization to conduct its affairs.

Religious organizations are excepted from filing returns of any kind and there are no record keeping requirements imposed by the IRS, according to IRC Section 6033. Even registering a corporation sole is a voluntary filing for the purpose of formal governmental recognition. In practical operation, a corporation sole may voluntarily

maintain records of its operations as it sees fit in order to track income, disbursements or assets, such as property holdings and bank accounts. However, all of the information essentially remains private and confidential.

In cases involving fraud or other criminal act or tort, the corporation sole must be able to produce its records to a judge of the superior court. However, there are no mandatory provisions made relating to how, or in what form, those records should exist other than they be “adequate and correct”. Because of a corporation sole’s sovereignty, the organization is under no obligation to reveal these records under any circumstances.

A corporation sole may own or operate an unrelated business that may be required to keep records and pay taxes, In that case, it is the responsibility of the unrelated business as a separate entity to maintain the required paperwork. This arrangement does not place any increased responsibilities on the corporation sole itself or affect the operation of the corporation sole.

The “Corporate Veil” Limits Personal Legal Liability

The separation between any corporate entity and its titleholders, known as “the corporate veil,” provides a barrier against individual liability resulting from the actions of the corporation. The corporation sole operates as an independent unit, although it is under the control of a particular individual. The officeholder bears no personal responsibility in relation to the corporation sole.

A corporation sole offers more secure protection than the ordinary corporation because of the freedom from legislative authority. Courts have confirmed the protection of any assets titled in the name of a corporation sole from levy, lien or seizure in an attempt to satisfy a personal judgment against the person in control, even if the person previously owned those assets. An individual may also transfer personal assets to the corporation sole while retaining their use of the assets for the benefit of the corporation sole. However, conveying ownership of assets to the corporation sole does not relieve the individual of the responsibility to continue meeting contractual obligations, such as mortgage payments, nor forestall foreclosure proceedings.

HOW MAY A CORPORATION SOLE GENERATE REVENUE?

A corporation sole may raise funds from a variety of sources in order to achieve its objectives. Depending upon the circumstances, a corporation sole may:

- Sell goods or provide services related to its mission
- Own and operate an unrelated business
- Receive cash, goods or services from donors
- Receive interest and dividends from bank accounts and securities
- Receive wages from associated individuals' employment

Since the corporation sole is excepted from tax liabilities, the net income from these sources is completely retained. The corporation sole may fully utilize the proceeds of its activities to further its mission or generate additional revenue.

Legal Background

Ancient Romans invented the idea of incorporation to allow a group of citizens to act together to achieve a common goal and share the proceeds. The English adopted and developed the idea of an “artificial citizen” into the modern concept of legal incorporation. The earliest English corporations were either civil or ecclesiastical in nature, rather than for business or profit, and provided the basis for the modern corporation sole.

American colonists lived under the English law and adopted its common forms when they declared their independence. One of the major differences between English law and the legal ideology of the new Republic was the concept of a separation between church and state. The United States Constitution specifically outlines the powers of the government and imposes certain legislative limitations. The First Amendment specifies: “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof...” The legislative, judicial and executive branches of the federal government, including the Internal Revenue Service, respect and support this primary restriction of their powers.

The federal government compels the individual states to act within the boundaries of the supreme law of the land. State legislatures recognize the restriction against interfering with religious bodies. Several states have statutes formalizing the recognition of a corporation sole as an autonomous entity, while others acknowledge this through common law established by the courts.

Generally, other countries acknowledge the legal principle of “comity,” or lawful courtesy, which leads them to accept institutions established by foreign governments as valid entities.

HOW OLD IS THE LEGAL CONCEPT OF CORPORATION SOLE?

For more than 450 years, the legal community has recognized, studied and evolved the corporate sole concept. English common law, the foundation of modern American law, formulates legal concepts according to judicial interpretation when deciding specific cases. The decision of a judge in one case sets a precedent for the interpretation to be applied in other instances. In the mid-fifteenth century, English courts struggled with problems concerning the transfer of church property from a clergyman to his successor in the office. Judges concluded that the church was an ‘artificial citizen’ of sorts and that the clergyman was its administrator. These decisions effectively incorporated the church and acknowledged clergy as an agent with the authority to handle its affairs. This case law established the corporation sole as a valid legal principle.

In 1983, the Second District Court of the State of California issued a ruling that clearly confirms the continued recognition of this lawful evolution:

“The corporation sole is a venerable creation of the common law of England and is well established under common law in California, which has legitimized the tradition and regulates the formalities attendant on the creation and continued existence of the corporation sole. (Corp C § 10000 et seq.)” *County of San Luis Obispo v. Ashurst (1983, 2d Dist) 146 CA3d 380, 194 Cal Rptr 5.*

Incidentally, the court in this case also supported the claim that no one may levy, lien, or seize any assets titled in the name of the corporation sole in an attempt to satisfy a personal judgment against the person occupying the office within the corporation sole, even if that person previously owned those assets.

HOW DID THE CONCEPT EVOLVE INTO MODERN LAW?

Legal principles develop through statutory law, as passed by legislatures, or by common law, as interpreted by the courts. The legislatures and judiciaries of several governments have recognized and validated the legal issues surrounding the corporation sole concept in modern times. Canada and the United States, as well as Great Britain and other countries, currently authenticate the legal rights of a corporation sole through case judgments and statutes.

Constitutional Amendments Establish American Freedoms

The United States Constitution provides the supreme statutes of American law. This prevailing document, as amended, determines the fundamental operations of government, the limitations of the law and the rights of the American citizen. The First and Fourteenth Amendments to the Constitution furnish the statutory basis for the freedoms of a corporation sole in the U.S.

The First Amendment clearly and simply states that, “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof...” The statement “NO LAW” specifically prohibits the federal government from interfering with the creation or autonomous authority of a religious concern. The amendment is unmistakably absolute in eliminating the power of the federal government to intervene in these cases.

The Fourteenth Amendment creates, or at least recognizes for the first time, a citizenship of the United States distinct from that of the states; forbids the making or enforcement by any state of any law abridging the privileges and immunities of citizens of the United States; and secures all “persons” against any state action which results in either deprivation of life, liberty, or property without due process of law, or, in denial of the equal protection of the laws. This amendment effectively extends the “NO LAW” prohibition to the states in the cases of religion and implies that the protections offered in the First Amendment apply to any religion or religious-based organization as a legal entity. Therefore, the states must also recognize the autonomous authority of a corporation sole and apply the freedoms regardless of the nature of the religion. In other words, any statute or ruling that applies to one religious body must also apply to all of them.

Several Individual States Also Recognize Corporation Sole By Statute

Although all of the states are obligated to follow the federal mandates, seventeen American states specifically acknowledge the corporation sole through legislation:

Alabama Code Section 10-4-1 to 9 (1975)
Alaska Stat. Section 10.40.060 (1985)
Arizona Revised Stat. Ann. Section 10-421 to 426 (1977)
California Corp. Code Sections 10000 to 10015 (West 1977)
Colorado Rev. Stat. 7-52-101 to 104
Hawaii Rev. Stat. Section 419-1 to 9
Michigan Comp. Laws Ann. Section 458.1-2, 458.271-273 (West 1983)
Montana Code Ann. 35-3-101 to 209 (1985)
Nevada Rev. Stat. Section 84.010-080 (1985)
New Hampshire Rev. Stat. Ann Section 306.6-8 (1984)
North Carolina Gen. Stat. Section 615 (1982)
Oregon Rev. Stat. Section 61.055(1)-(3) (1983)
South Carolina Code Ann. Section 33-31-140 (Law Co-op 1976)
Utah Code Ann. Section 16-7-1 to 12 (1973)
Washington Rev. Code Ann. Section 24.12.010-040 (1969)
Wyoming Stat. Section 17-8-109 to 113 (1977)

An examination of cases citing a corporation sole in judicial opinions, session laws and a listing of corporate names of dioceses in the 1987 Official Catholic Directory

proves that nine other states or jurisdictions have a corporation sole created under special or private charter. They are the District of Columbia, Illinois, Kentucky, Maine, Maryland, Massachusetts, Nebraska, Rhode Island and Texas. Several of these instances occurred before the passage of a general incorporation statute. Other states may also have a corporation sole operating under private law or special incorporation.

Two Hundred Years Of Court Rulings Document and Clarify Freedoms

Ultimately, the judicial process determines the proper application of a legal concept. Various courts on the federal and state levels in America have issued legal opinions concerning the establishment and operation of a corporate sole. These tests of the freedoms of corporation sole provide validation through modern times.

Through the 19th Century, numerous courts scrutinized the use of the corporation sole and issued opinions confirming its legitimacy for both religious and civil purposes. The United States Supreme Court examined various facets in such cases as *Terrett v. Taylor* 13 U.S. (9 Cranch) 43, 46 (1815), *Town of Pawlett v. Clark* 13 U.S. (9 Cranch) 292 (1815) and *Northwestern University v. People* 99 U.S. 387 (1878). In the last instance, the Justices confirmed the existence of a corporation sole in deciding tax-exempt status. The New York State Supreme Court supported the use of a corporation sole in *Jansen v. Ostrander* 1 Cow. 670, 683 (1824) and Massachusetts validated the concept in *Overseers of the Poor v. Sears*, 39 Mass. 22 Pick. 122, 126 (1839). Tennessee courts verified the Governor of Tennessee status as a corporation sole in *Polk v. Plummer*, 21 Tenn. (2 Hum.) 500 (1841) and *Governor v. Allen*, 27 Tenn. (8 Hum.) 176 (1847). One particular case at the close of the century verifies the complete control of the officeholder and the right of the individual to possess real estate in the name of the corporation:

“A corporation sole has no need of a corporate seal, nor of a secretary, treasurer or by-laws. His own will and judgment alone regulate his acts, like any other individual acting in his own right. His possession of land, when the title is in him as an individual, can in no way be distinguished by his holding thereof as a corporation sole, when the title is in the corporation.”

Roman Catholic Archbishop v. Shipman (1899) 79 C 288, 21 P 830.

Twentieth Century judges continued to authenticate and shed light on the freedoms of the corporation sole legal concept through innumerable rulings. Indeed, one particular opinion illuminates the very principle which necessitates the corporate form:

“The corporate powers of a religious corporation are entirely distinct from the spiritual side of the church, and in order that a religious society be recognized by law, it must be shown that it is capable of making contracts, accepting benefits, and of suing and being sued. *Roman Catholic Archbishop v. Industrial Accident Com.* (1924) 194 C 660, 230 P 1.

Black's Law Dictionary (West Publishing Co., Third Edition, 1933, pg. 440) utilizes common law to verify an explanation of the structure:

“A corporation sole is one consisting of one person only, and his successors in some particular station, who are incorporated by law in order to give them some legal capacities and advantages, particularly that of perpetuity, which in their natural persons they could not have had. In this sense, the sovereign in England is a sole corporation, so is a bishop, so are some deans distinct from their several chapters, and so is every parson and vicar. 3 Steph. Comm. 168, 169; 2 Kent, Comm. 273. Warner v. Beers, 23 Avend. (N. Y.) 172; Codd v. Rathbone, 19 N.Y. 39; First Parish v. Dunning, 7 Mass. 447; Reid v. Barry, 93 Fla. 849, 112 So. 846, 859. ...”

Recent judicial opinion continues to endorse and expand the legal definition of a corporation sole:

“A corporation sole is the incorporation of the bishop, chief priest, presiding elder, or other presiding officer of any religious denomination, society or church for the purpose of administering and managing the affairs, property and temporalities thereof. The will and judgment alone of the presiding officer regulate his acts, like any other individual acting in his own right. Historically, a corporation sole consists of one person only and his successors, in some particular station, who are incorporated by law in order to give them legal capacities and advantages, particularly that of perpetuity, which in their natural persons they could not have.”

Zabriskie Estate 96 Col App 3d 571,158 Cal Rptr 154. (1979)

This particular interpretation considers the broad employment of the form by including the phrase “or other presiding officer of any religious denomination, society or church.” That recognition provides allowances for a variety of acceptable titles in an assortment of organizations. This is due, in part, to the increasing need and acceptance of a wider interpretation of the term “religious.”

HOW DOES MODERN LAW INTERPRET “RELIGION”?

Modern American law limits its own power to define religion, rather than considering the specifics of what constitutes religion or religious practice. Courts continually enforce the notion that religion simply includes a sincere and meaningful belief that occupies a place in the life of a person. In effect, the First Amendment's ban

against federal intrusion into the establishment of religion prohibits the government from dictating the essential elements of a religion. One particular legal ruling illustrates the difficulty of defining religion, as well as charity and education, too closely:

“Religion is not confined to a sect or a ritual. The symbols of a religion to one are anathema to another. What one may regard as charity another may scorn as foolish waste. And even education is today not free from divergence of view as to its validity.”

Unity School of Christianity, 4 B.T.A. 61, 70 (1926).

In a 1957 decision involving the definition of religion to determine tax-exempt status, a California court decreed:

“The terms “religion” or “religious” in tax exemption laws should not include any reference to whether the beliefs involved are theistic or non-theistic. Religion simply includes: (1) a belief, not necessarily referring to supernatural powers; (2) a cult, involving a gregarious association openly expressing the belief; (3) a system of moral practice directly resulting from an adherence to the belief; and (4) an organization within the cult designed to observe the tenets of belief. The content of the belief is of no moment.”

Fellowship of Humanity v. Alameda County 153
Cal A. 2d 673, 315 p. 2d 394 (1957)

In 1965, the United States Supreme Court addressed the concept of God and religion in *United States vs. Seeger*, 380 U.S. 163 (1965). They held that the test of belief in “God” or a “Supreme Being” is whether or not a given belief is sincere and meaningful and occupies a place in the life of its possessor parallel to that filled by the orthodox belief in God of one who is clearly religious. In 1974, the Eastern District of California confirmed the religious privilege and the supreme law’s prohibition against interference:

“neither this court nor any branch of this government will consider the merits or fallacies of a religion. Nor will the court compare the beliefs, dogmas, and practices of a newly organized religion with those of an older, more established religion. Nor will the court praise or condemn a religion, however excellent or fanatical or preposterous it may seem. Were the court to do so, it would impinge upon the guarantee of the First Amendment.”

Universal Life Church, Inc. vs. United States,
372 F. Supp. 770, 776 E.D. Cal (1974)

The collective legal opinions confirm that the individual belief does not have to involve a supernatural power or conform to the ritual or doctrine of a traditional church to qualify as religious. What is “spiritual”, “religious” or a “religion” depends entirely upon a person’s personal belief and not upon any organized or official proclamation. Legal

opinions also suggest that any lawful means of formally observing the tenets of faith of any religious body constitutes “exercise thereof” under the First Amendment and represents “worship” within the meaning of the tax exemption provisions.

HOW DOES THE IRS RECOGNIZE A CORPORATION SOLE?

Since the Internal Revenue Codes are subject to the First Amendment to the United States Constitution, there are NO requirements for a corporation sole formed for religious purposes to apply to the Internal Revenue Service for recognition of a tax exempt or tax-exempt status. In fact, the codes themselves provide a specific EXCEPTION to reporting and taxation for religious organizations.

“CHURCH” Means An Entity, Not A Building

While many people traditionally consider a church as a building or a conventional congregation, the IRS considers a corporation sole formed for religious purposes as a “church,” or religious organization. They are essentially identical. Just as the government cannot regulate the religious ideology, neither can they specify what constitutes a church other than as being a religious body.

No Requirement To File For Tax-Exempt Status

Internal Revenue Codes specifically exclude the religious organization from the need to file for tax-exempt status:

Code 508 (a) – New organizations must notify the secretary that they are applying for recognition of 501 (c) (3) status EXCEPT as provided in subsection (c) (p. 4395).

Code 508 (c) (1) (A) – Exceptions – mandatory exceptions – subsection (a), shall not apply to – (A) Churches, their integrated auxiliaries, and conventions or associations of churches.

The NO LAW concept of the First Amendment provides the religious organization exemption by right and the corporation sole does not have to petition any government agency for recognition of that exempt status. In fact, as stated Code 508 (c) (1) (A) the corporation sole cannot file for a status that it already enjoys.

No Need for Tax Returns And Complete Immunity From Disclosure

Specifically, Internal Revenue Code Section 6033 (a) provides religious organization “Mandatory Exceptions” from the need for filing returns of any kind: Section 6033 also acknowledges the religious organizations’ complete immunity to disclosure. The regulations explain that it is not necessary to maintain records of any kind except for the organizations’ own purposes and reasons. Section 6033 (a) (2) (iii) also exempts “the exclusive religious activities of any religious order”. The IRS regulations clearly state:

Reg. 1.6033 – 1 (g) (1) (i) – Annual returns are not required to be filed by an organization described in section 501 (c)(3), which has established its right to exemption from taxation under 501 (a) and which is -

Reg. 1.6033 – 1 (g) (1) (i) (a) – Organized and operated exclusively for religious purposes.

“Members” Receive Tax, FICA & Social Security Exceptions from Related Income

The IRS PUBLICATION 15, Circular E. EMPLOYER’S TAX GUIDE specifies the exceptions for religious workers:

SECTION 107 In case of a minister of the gospel, gross income does not include: 1) the rental value of a home furnished to him as part of his compensation; or 2) the rental allowance paid to him as part of his compensation, to the extent used by him to rent or provide a home.

EXPLANATION: In order to qualify for the exclusion, the home or rental allowance is remuneration for services, which are ordinarily the duties of a minister of the gospel. The rental allowance is for, the rent of a home, the purchase of a home, or expenses directly related to providing a home. Do not consider expenses for food and servants directly related to providing a home.

SECTION 3401 (A) (9) provides that the definition of the term “wages” for tax withholding purposes does not include remuneration paid “for services performed by a duly ordained commissioned or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; etc.”

EXPLANATION: Internal Revenue Services regulations provide guidelines for IRS employees to help them understand the Internal Revenue Code. IRS Regulation 31.3401 (a) (9) – 1 states: “Services performed by a member of a religious order in the exercise of duties required by such order includes all duties required of the member by the order. The nature or extent of such services is IMMATERIAL so long as it is a service that the minister is directed or required to perform by ecclesiastical superiors.

FOR EXAMPLE, If Father McLaughlin is directed by his order to work for the federal government in the Office of the President, and then his employer (in this case the federal government) is not under any compulsion whatsoever to withhold either federal income taxes or social security taxes. A religious order may require a member be an Advisor to the President, a pilot, or a bank loan officer. The regulation states that the nature or extent of such service is IMMATERIAL.

SECTION 1402 (e) exempts “a member of a religious order who has taken a vow of poverty as a member of such order” from taxes under the Federal Insurance Contributions (sic) Act, i.e. FICA or social security. There is no requirement that you file for this exemption from social security tax. The exemption is automatic when you are a member of a religious order, who has taken a vow of poverty as a member of your order.

HOW DOES THE LAW DEFINE RELIGIOUS ORDINATION?

Once again, the First Amendment’s ban against federal intrusion into the establishment of religion prohibits the government from dictating the essential elements of a religion. This extends to the determination of ordination of a minister, priest, rabbi, elder, archbishop or other member of a religious order. Only the religious body can make that designation. One ruling proves the point:

“The moment an attempt is made to limit or restrict ordination to some special form of ceremony, we begin to discriminate between the diverse modes and forms of ordination practiced by the various religious societies. The laws of Ohio make no discrimination in any respect between Catholic, Gentile, Jewish, or any other religious societies or denominations; much less do they attempt to prescribe ‘the act or rite of admitting and setting apart to the Christian ministry or the holy orders, especially in the Roman Catholic, Anglican, and Greek church’s consecration to the ministry by the laying on of hands of a bishop or bishops; in other churches, consecration by a presbytery synod, or council of ministers.’ It has been the practice of this court, therefore, to grant the license to authorize the solemnization of marriages to duly commissioned officers in the Salvation Army who were engaged under such priests, Jewish rabbis, teachers and ministers of spiritualistic philosophy, and in fact all persons who can prove to the satisfaction of the court that they have been duly appointed or

recognized in the manner required by the regulations of their respective denomination, and are devoting themselves generally to the work of officiating and ministering in the religious interest and affairs of such societies or bodies.”

In re Reinhart, 9 Ohio S & C.P. Dec. 441,442.

Since the officeholder makes the decisions for the religious body represented by the corporation sole, that person commands the total authority and responsibility to ordain a person in a manner which only the officeholder can prescribe.

WHERE CAN I FIND ADDITIONAL LEGAL INFORMATION?

Major law libraries carry volumes of legal statutes and case law. Attorneys specializing in general incorporation are not usually familiar with the intricacies of corporation sole legal issues. Sole Resources can provide further information to answer specific inquiries. Turn to the next section of this booklet for Further Assistance.

Further Assistance

This booklet provides a wealth of information concerning the business structure, uses & benefits, and legal background concerning the corporation sole. However, it may raise as many questions as it answers. Most individuals will require further professional assistance in order to properly establish and operate a corporate sole for maximum effectiveness.

Few professionals have practical experience in establishing and operating a corporation sole. Even attorneys, accountants and tax consultants who are aware of the corporation sole option may not fully understand its benefits and the filing considerations. There are only a small number of companies, which offer corporation sole filing services. The extent and quality of their services varies greatly. Fees generally range from \$350 to \$35,000 and may not be representative of the quality or extent of services.

Professional experience suggests that each individual will have specific requirements, objectives and desires. Proper paperwork preparation and execution are crucial to the effectiveness of a corporation sole. Mistakes made in filing or in operating a corporation sole can be costly, frustrating and time-consuming.

Sole Resources provides detailed, personalized information to assist individuals in fully understanding the freedoms of corporation sole. Personal consultations and customized filing services help people to correctly and easily establish a suitable corporation sole. Continued consultation and detailed instructions clarify how to operate the organization for the maximum benefits. *Sole Resources* delivers a complete, personalized service that avoids costly mistakes, directly to your home or office – at a reasonable, comprehensive price. Our extensive knowledge, practical experience and personal attention clearly make *Sole Resources* the best choice to ensure your success.

Contact *Sole Resources*, the leading *corporation sole* experts, to answer any of your questions or to ***get started today!***

Joe Lansing, CEO of Sole Resources



Serving as Sole Resources' Chief Executive Officer and holding the Office of Presiding Elder for Sole Resources Mission and His Successors, a Corporation Sole, Joe Lansing provides information and personalized consulting to help individuals and organizations properly establish and effectively operate a corporation sole.

As a former tax consultant, Joe has extensive practical experience analyzing complex requirements and navigating government regulations. His background includes advising and coordinating with executive management in a variety of industries. Joe previously developed and managed an organization serving the financial needs of more than 1600 clients. His responsibilities included sales promotion, representative training, financial management, corporate relations and direct client consulting.

For more than four years, Joe researched and studied the historical, legal and operational issues of the corporation sole business structure while helping clients realize its distinctive benefits. During that time, he discovered that people who had established a corporation sole were facing costly and unnecessary problems due to major documentation and organizational errors resulting from a lack of expertise, an inattention to details and a need for personalized service. Joe realized that other firms offering corporation sole filing assistance were not getting to know their clients, promptly responding to the clients needs or providing continued support.

In January 2002, Joe established Sole Resources to deliver a complete, personalized service that avoids costly mistakes in establishing and operating a corporation sole. His moral, legal and ethical integrity provides a solid foundation for the organization. Serving as an advocate for clients, his mission is to help them increase their resources so that they can accomplish their goals.

Although born in Akron, Ohio, he considers himself a 'naturalized' Floridian. He graduated from Florida's Merritt Island High School and attended Brevard Community College in Cocoa, Florida, the University of South Dakota and Auburn University. He enjoys offshore fishing, scuba diving and family activities with his son, Jared.

Kent Lansing, CFO of Sole Resources

Sole Resources' Chief Financial Officer Kent Lansing conducts research, supplies detailed information, prepares documents and expedites official procedures to help individuals and organizations properly establish and effectively operate a corporation sole.



As a former Air Force Staff Sergeant, business owner and tax consultant, Kent has widespread expertise in understanding government regulations and verifying compliance. His background includes experience in the insurance, security systems and home automation fields, as well as ten years in the aerospace industry. Kent also supported an organization serving the financial needs of more than 1600 clients. His responsibilities included operational supervision, information systems and financial management.

Kent thoroughly researched and scrutinized federal and state regulations and filing considerations concerning the corporation sole business structure for more than three years. During that time, he developed considerable skill in identifying and avoiding the potential documentation hazards that people typically encountered when establishing a corporation sole, which might increase expenses and cause processing delays. He also realized that clients needed additional services after initially establishing the corporation sole, such as opening bank accounts and registering as a foreign corporation in other states.

Since helping to establish Sole Resources in January 2002, Kent has provided clients with specialized information, investigated complex technical questions and significantly reduced delays in processing paperwork to help clients quickly and easily establish and properly operate a corporation sole.

Raised in Florida, Kent was born in Manhattan, Kansas. He graduated from Merritt Island High School and received his Associate of Science degree in Engineering from Brevard Community College in Cocoa, Florida. He also attended University of Central Florida and Auburn University. He enjoys playing golf, fishing, bowling and family activities with his wife Debbie and their two boys, Garrett and Riley.