



June 9, 2011

TO: Clients and Friends Interested in the Nonprofit Sector

RE: **Using an LLC to Structure a Fiscal Sponsorship**

We often advise persons who wish to start a nonprofit about the option of “fiscal sponsorship,” and we have helped nonprofit entities become fiscal sponsors. It is an efficient way to test the viability of a new nonprofit project without first realizing the time and money expenditures of setting up an independent tax exempt entity.

Two attorneys in San Francisco have written a thoughtful article, in the current issue of *Taxation of Exempts* (Warren Gorham & Lamont), about the pros and cons of using a limited liability company (“LLC”) as a vehicle for a fiscal sponsorship project. In a nutshell: The LLC can have the benefit of shielding the sponsor from most kinds of liability but it is still considered part of the parent tax-exempt entity, for tax purposes. A donor receives a deduction for making a gift to the parent, but all operations are segregated in the LLC subsidiary.

We would be pleased to provide more information or answer questions about the concept.

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