



**Great Cities
Institute**

**Policy Recommendations
for Amendments
to the State of Illinois
Worker Cooperative
Statute**

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Summary

Worker cooperatives are a business model where people employed in the business also receive dividends from the surplus earnings of the business, and have voting power within the business. It is a potential model for increasing wages, and instituting democratic values in the workplace. Illinois currently has two statutes on worker cooperatives, the Agricultural Co-operative Act (805 ILCS 315/1) and the Co-operative Act (805 ILCS 310/1).

This report gives an overview of what worker cooperatives are, reviews the Illinois Co-operative Act 805 ILCS 310/1, and makes recommendations for amending the Co-operative Act. Since this report focuses on *worker cooperatives*, it will not address the *Agricultural Co-operative Act (805 ILCS 315/1)* which organizes *agricultural consumer cooperatives*.

The Co-operative Act was amended in 2016 which modified the statute's language to allow all types of businesses to be organized as worker cooperatives in Illinois. This was a milestone in allowing worker cooperatives to grow, especially within the service sector. Regardless, two elements from many other statutes organizing worker cooperatives are missing from the Illinois Co-operative Act.

- Inclusion of language that describes the distribution of earnings to cooperative members through patronage dividends or labor patronage
- Inclusion of more worker cooperative values in the statute language, specifically the voting system of one-member, one-vote.

What Are Worker Cooperatives?

Worker cooperatives are worker owned and managed *businesses* that incorporate social values within the business entity. There are multiple ways to organize a business such as an LLC, a partnership, and a corporation. A worker cooperative intentionally includes democratic control of the business by its members as its managerial form. Several worker cooperative advocacy groups also include other cooperative principles in addition to democratic control of the business.

The International Cooperative Alliance (ICA) is global organization established in 1895 whose purpose is to develop worker cooperatives. ICA reports that the main values of worker cooperative are: self-help, self-responsibility, democracy, equality, equity, and solidarity.¹ The National Cooperatives Business Association-CLUSA (NCBA) is the national member organization for all types of cooperatives, including worker cooperatives, agricultural cooperatives, consumer cooperatives, housing cooperatives, and rural electric cooperatives. They adhere to the same principles as ICA. ICA states² the main principles of a cooperative are:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation among Cooperatives
7. Concern for Community.

1 Unidentified author. "Co-operative Identity, Values, & Principles." *International Co-operative Alliance*, <https://ica.coop/en/whats-co-op/co-operative-identity-values-principles>. Date Accessed: 02/12/2018.

2 Ibid.

The US Federation of Worker Cooperative (USFWC) is a national member organization for worker cooperatives. The USFWC states³ the main characteristics of worker cooperatives are:

1. Worker members invest in and own the business together, and it distributes surplus to them
2. Decision-making is democratic, adhering to the principle of one-member one-vote.

The Democracy at Work Institute (DAWI) is a national organization that helps conduct research and is involved in ecosystem building for worker cooperatives. DAWI defines⁴ a worker cooperative as a values-driven business that puts worker and community benefit at its core with two main characteristics:

1. Workers own the business and they participate in its financial success on the basis of their labor contribution to the cooperative
2. Workers have representation on and vote for the board of directors, adhering to the principle of one worker, one vote.

The Rochdale Society of Equitable Pioneers, founded in 1844, from Rochdale England was one of the first cooperatives to establish a list of principles.⁵ They intentionally sought to assist the development of more cooperatives and developed the Rochdale Principles which include:⁶

1. Open membership
2. One member, one vote
3. Cash trading
4. Membership education
5. Political and religious neutrality
6. No unusual risk assumption
7. Limitation on the number of shares owned
8. Limited interest on stock
9. Goods sold at regular retail prices
10. Net margins distributed according to patronage

These common definitions, with some variations, share the view that a worker cooperative is a business owned by the people that work within the cooperative. The cooperative should also include a form of workplace democracy as its managerial form, allow its members to share the financial gains and losses of the business, and integrate social values in the organization. A worker cooperative is a legal entity conducting business, organized democratically, with social values integrated in its organization.

How do worker cooperatives differ from other business types?

There are several types of business entities, including c corporations, s corporations, limited liability companies, partnerships, and sole proprietors. The main differences between these organizational types are the management

3 Unidentified author. "Worker Ownership." *US Federation of Worker Cooperatives*, <https://usworker.coop/what-is-a-worker-cooperative/>. Date Accessed: 02/12/2018.

4 Author Unnamed. "What is a Worker Cooperative?" *Democracy at Work Institute*, <http://institute.coop/what-worker-cooperative>. Date Accessed: 02/12/2018.

5 Mazzarol, Tim., Elena Mamouni Limnios., and Sophie Reboud. "An Overview of the Research." *Research Handbook on Sustainable Co-operative Enterprise*, edited by Tim Mazzarol, Sophie Reboud, elena Mamouni Limnios, Delwyn Clark, Edward Elger Publishing Limited, 2014, P. 15

6 Frederick, Donald A. "Co-ops 101: An Introduction to Cooperatives." *USDA: Rural Development Cooperative Information Report*. 55, April 1997, revised November 2012., p. 4.

structure of the business, the method of distributing profit, taxation treatment, and methods of raising capital. There are smaller differences, but the aforementioned categories are the most important since they form the values, mission, and strategy behind the business. A worker cooperative entity values the democratic control of the cooperative by its members. Prior to establishing the worker cooperative business, founding members decide the management structure and the board of directors. The typical worker cooperative selects a manager and the board officers from its members. The manager is responsible for daily operations, and the board oversees long-term planning of the cooperative.⁷ Elections to vote on the managers and board members are scheduled according to the worker cooperatives' by-laws.

Other business entities have a stark divide between employment and its ownership model. A c corporation, for example, is designed with a very different philosophical approach. Ownership of the c corporation is divided among shareholders who are purchasing a stock of the corporation, which represents a share in the firm's potential profits. The shareholders vote for the officers that make up the board of directors. The board of directors then selects the managers of the corporation. However, employees within the corporation do not vote for the managers and the board of directors. Employees only share in the businesses' profits inasmuch as they also purchase shares in the corporation on an individual basis.

A key difference between worker cooperatives and other business entities is evident in how the profit is distributed. Profit leftover after covering all costs is called surplus in a worker cooperative business. The worker cooperatives' by-laws, or the statutes of some states, define how this surplus is treated. Traditionally, a certain percentage of earnings is kept by the worker cooperative business for reinvestment. These are called *retained earnings*.⁸ The remaining funds are divided among the worker members based on hours worked (*labor patronage*).⁹ Thus, people that work in the business are able to share the financial earnings or losses of the worker cooperative. In a corporation, profits and losses are allocated to shareholders who buy stocks for the opportunity to share in the potential profits of the company via *dividends*. Employees of a corporation do not have access to the earnings or losses of the business unless they also buy shares of the corporation.

Worker cooperatives also differ from other businesses types by taxation treatment. Corporations were developed with the intention of maximizing profit for the shareholders who are owners of the corporations. Those same shareholders may not necessarily work within the business, so the corporate entity is taxed twice. It is first taxed at the entity level on profit, and it is taxed again when distributions of dividends are issued to shareholders. Businesses organized as s corporations and limited liability companies avoid double taxation since the income of the business is treated as passthrough income. Similarly, a worker cooperative also avoids double taxation since the business is owned by its workers. The earnings of the worker cooperative entity are taxed, but the patronage distributions to the members' accounts are not taxed. However, the individual cooperative members *do* pay taxes on patronage dividends they receive individually.

Business organizations also differ in the methods for raising capital. In a worker cooperative, the initial capital used to start a business is raised by the worker cooperative members themselves. A typical buy-in a worker cooperative is \$1,000. This allows new members an easier entry into the worker cooperative. Other forms of non-voting shares can be designated in the bylaws to allow for future capital raising by the worker cooperative. A c and s corporation raises capital by selling shares of stock, however the voting rights are transferable. The selling of stock allows those businesses to purchase equipment or machinery vital to growing the business.

7 Unidentified author.1995. Understanding Cooperatives: Cooperative Business Management Functions. *Rural Business and Cooperative Service*. March 1995. P.1. https://www.rd.usda.gov/files/CIR45_5.pdf

8 Unidentified author. Key Accounting Terms & Financial Ratios." *The ICA Group*, <http://ica-group.org/wp-content/uploads/2015/04/Accounting-Glossary-and-Financial-Ratios.pdf>. p. 3. Date Accessed: 04/24/2018.

9 Ibid, p. 2.

	Worker Cooperative	Sole Proprietor	C Corporation	S Corp	Limited Liability Company (LLC)
Management	Worker/ members select the structure, usually elect a board and management who are also cooperative members	Full control by sole proprietor	Shareholders elect directors who manage business activities	Shareholders elect directors who manage business activities	LLC members set up structure as they choose via bylaws
Distribution of Earnings and Losses	Cooperative members	Solely to proprietor	Shareholders	Shareholders	LLC members
Taxation	Entity-level taxation for retained earnings. However, avoids double taxation to some extent, as allocations to members' accounts are not taxed, using Subchapter T tax status	Subject to self-employment tax	Double taxed. Taxed both at the entity and when owners are issued dividends	No entity-level tax. Avoids double taxation by passing through income to owners	As a default, taxed like a general partnership: no entity-level tax, avoids double taxation by passing through income to owners. However, can elect to be taxed as an S, C, or T corporation
Capital Raising	Capital typically raised from members, possibility for capital raising through preferred shares	Individual provides capital	Shares of stock are sold to raise capital	Shares of stock are sold to raise capital	May sell interests, but subject to operating agreement

Figure 1: Comparison of Business Entity Types¹⁰

Source: Democracy at Work Institute, 2018.

¹⁰ Unidentified author. "Choosing a Business Entity." *Democracy at Work Institute*, <https://institute.coop/sites/default/files/ChoicofEntityFinal.pdf>. Date Accessed: 04/24/2018.

Why Are Worker Cooperatives Important?

Worker cooperatives in the United States have an a long history that is tied to labor organizing which was influenced by the Rochdale movement of England.¹¹ By the 1860s the National Labor Union, the first national federation of unions, was proposing worker cooperatives as a model for remedying low wages and a permanent solution to strikes.¹² The Knights of Labor organized at least 135 cooperatives in the mid 1880 as a way to compete with the existing economic order.¹³

Traditional businesses place profit maximization as the main driver of the business and are traditionally hierarchical. A worker cooperative adds other social values inherent in its design which include cooperation via democratic decision making, sharing of economic surplus, and other social values such as educational advancement for its members and concern for community. A worker cooperative can also implement a more traditional hierarchical business structure with managers and a board of directors. However, there is accountability on the power of the board of directors as all members vote on who is selected and the length of the terms. The worker cooperative members themselves are elected to participate as board officers and managers, although other models allow for non-cooperative members to form the board and management.

Since worker cooperative are owned by the workers, there is incentive for workers to perform better since they receive the earnings of a successfully managed business. A study by Co-operative UK found that worker cooperatives survive at least as long as other businesses and have more stable employment.¹⁴ The study also found that worker cooperatives are more productive.¹⁵ Worker cooperatives have employment stability and productivity benefits which can also impact the society as a whole.

11 Curl, John. 2009. *For All the People: Uncovering the Hidden History of Cooperation, Cooperative Movements, and Communalism in America*. Second Edition. Oakland, California: PM Press. p.58.

12 Ibid. p. 66.

13 Ibid. p. 92.

14 Perotin, Virginie. "What Do We Really Know About Worker Co-operatives?" *Co-Operatives UK Coop*. Revised 09/02/2016.p. 2.

15 Ibid. p. 2.

Key Questions

What are some the benefits of a worker cooperative filing under a worker cooperative statute versus an alternative business model such as an LLC?

Review of the statutes have found there are benefits for organizing a worker cooperative entity under a cooperative statute as opposed to becoming another type of business entity. The first benefit is the naming right to be designated as a “cooperative” entity. This is beneficial in the marketing of a cooperative since appealing to consumers as a business with social values is a method for differentiating themselves from traditional businesses. The second benefit is taxation through subchapter T rules of the federal tax code. In a traditional c corporation, a business has to pay its taxes on income and on the distributions of earnings issued to shareholders who own the business. These shareholders then also have to pay taxes individually on the dividends they receive. This is termed double taxation. In a worker cooperative, the dividends paid out to the cooperative members are not taxed at the *entity level*. Although at the individual level, cooperative members still pay taxes on those dividends. It should be noted that a worker cooperative can be formed via the LLC entity, and still be technically taxed once at the entity level since the taxes are treated as passthrough income. However, if there is an existing worker cooperative statute, the cooperative formed as an LLC might not be able to receive the official designation of “cooperative” in its business name.

What are potential restrictions, if any, that are currently imposed within worker cooperative statutes?

Two types of restrictions were found. The first is industry based where statutes write the specific industries a cooperative is ineligible to participate in. Within these statutes common restrictions include entry in the banking and insurance sector, as well as public utility companies. The second restriction is entity based, where the statute designates that a cooperative must specifically be organized as a non-profit organization. This is limiting as it assumes the cooperative’s function is to operate “at-cost” and not necessarily be growth orientated. However, the amount of statutes with these restrictions are minimal and can be found in the appendix.

How closely do the statutes embody the general principles of a worker cooperative?

Since worker cooperatives have additional values not normally outlined in traditional businesses, a key issue is whether existing cooperative statutes include language promoting social values. These values are as widespread as the amount of worker cooperative advocacy groups that exist. However typical worker cooperative values include:

- A form of democratic control of management or board
- One member one vote
- Cooperation with other cooperatives
- Concern for community
- Members invest in and own the business together, and it distributes surplus to via a patronage system
- Education for its members
- Limitation on the number of shares owned, or availability of non-voting stock

How balanced is the statute between formal organization outlined in the statute and the flexibility to allow the cooperative to organize itself in the bylaws?

Since worker cooperative businesses include democratic control of the cooperative as one the main values of this entity type, statutes that incorporate more language on management structures reduces the amount of various management schemes a cooperative can work under. However, the worker cooperative statutes with more language on the management formation could lead to more uniform cooperatives operating within its state, but it decreases the freedom individual cooperatives have in setting up its own management structure. There are different opinions from worker cooperative advocacy groups on what set of management and internal management structures should normally be set by worker cooperatives.

How does the statute address any special capitalization or financial issues?

One common feature of many worker cooperative statutes is the share buy-in is normally limited to \$1,000 per share. It is also common for statutes to include language that such shares are ineligible to meet SEC filings. Many statutes also write in that each cooperative is able to designate different classes of shares, such as non-voting shares. Those measures are included to give cooperatives a greater ability to raise capital, by selling shares to non-cooperative members, but maintain democratic control by its members.

Worker Cooperative Statute Categories

A review of existing worker cooperative statutes was conducted based on information provided by the US Department of Agriculture's Rural Business Cooperative Service. Each statute was reviewed for the following based on the aforementioned key questions:

- whether specific industries are explicitly banned from organizing as a worker cooperative;
- if a statute allows for designation and naming rights as a cooperative;
- if the statute includes language on the patronage system of the cooperative;
- if the language in the statute incorporates the social values of cooperatives;
- if the statute incorporates language on the organizational structure of the cooperative.

Based on the above criteria, most statutes can be compiled into five general categories.

1. Cooperative statutes that more clearly define the organizational structure, and the social goals of the worker cooperative.
2. Cooperative statutes that do not clearly define the organizational structure of the worker cooperative, but do include more cooperative social values.
3. Cooperative statutes that more clearly define the organizational structure of the worker cooperative, but does not incorporate many cooperative social values.
4. Cooperative statutes that do not explicitly define the organizational structure of the cooperative, and have minimal written language on incorporating social values of cooperatives
5. Cooperative statutes that were created for the agricultural industry or marketing of agricultural products.

1. Cooperative statutes that more clearly define the organizational structure and the social goals of the worker cooperative

These worker cooperative statutes have a tendency to more clearly state the organizational model of the cooperative, and incorporates additional worker cooperative values than those seen in the tier 3 and 4 categories. These statutes also include: the right to designate as a cooperative entity, voting rules of one member, one vote, and language on payment of dividends through patronage. Additional features however are the statutes usually include at least an additional cooperative value written in the statutes. Some state statutes for example designate that a worker cooperative allocate a reserve amount of the cooperative's funds for education for members or charitable donation. These statutes also do not place industry specific restrictions on the types of industries a cooperative can participate within. Finally, the majority also require a minimum board of 3-5 directors.

2. Cooperative statutes that do not clearly define the organizational structure of the worker cooperative, but does include some social goals

These types of cooperative statutes usually do not define the organizational structure of the cooperative, but do include more cooperative values beyond one-member, one vote and the patronage system. For example, these statutes include language on making charitable donations, or using cooperative resources for education. These statute types do not usually include more organizational rules such as those in tier 1 and 3 statutes.

3. Cooperative statutes that more clearly define the organizational structure of the worker cooperative, but does not incorporate many cooperative social values.

These statutes usually establish some clear organizational rules. The majority include legal entity naming rights as a "cooperative" versus another type of business entity. The majority also include a minimum of five directors to their board of directors, and more in depth detail on the organization of the cooperative. However, many of these statutes

do not incorporate many of the social values of worker cooperatives. This includes basic social values such as one member, one vote, or language on the patronage system which are typically seen in category 1 and 2 statutes.

4. Cooperative statutes that have minimal language on incorporating social values of cooperatives, and do not explicitly define the organizational structure of the worker cooperative

These statutes in particular seem to have less detailed information on the organizational structure of the cooperative. This category type does not clearly specify the values included in the above tier 1 and tier 2 type statutes. For example, these statutes do not clearly mandate that cooperative function under the one member, one vote system of decision-making. Most language on the cooperative usually means having a minimum of three to five people on the board of directors. The goal of these cooperative statutes seem to rely on the individual cooperative forming their organizational system and values under their bylaws.

5. Cooperative statutes that were created for the agricultural industry or its marketing

A majority of statutes in this category, but not all, include language on “one member, one vote”. This is one of the main principles of worker cooperative statutes. The majority also include legal entity naming rights as a “cooperative” versus another type of business entity. The majority also include a minimum of five individuals to their board of directors. These statutes also include language on payment of dividends through patronage. Finally, these statutes also specifically name agriculture production as the main purpose for organizing the cooperative. This last piece ultimately restricts cooperative formation to one industry. These statutes are intended for cooperatives to organize as marketing or consumer cooperatives, which are a distinct organizational model from that of worker cooperatives.

Current Illinois State Law

(805 ILCS 310/1) Co-operative Act

The current Illinois statute fits under a Tier 3 statute since it contains some language that specifies rules and the organization of the cooperative, but does not include the social values of cooperatives. The statute allows most types of business to be conducted by a cooperative. This is written in Sec. 1 of the statute where it states cooperatives "...who may be desirous of engaging as shareholders in any association for the operating of a business by such shareholders.. may be incorporated for that purpose."¹⁶ The initial language in Section 1 designates the purpose of the cooperative is to "purchase and sell to all shareholders and others all sorts of groceries, provisions, and any other articles of merchandise."¹⁷ The language implies the consumer cooperative model where consumers, who purchase the items from a business, are also the shareholders of that business. However, the inclusion of the language that allow shareholders in "any association" solidifies that most industry types can be organized as a cooperative.

The Illinois Co-operative Act does not specifically uphold specific worker cooperative values, nor does it provide organizations often cited in other cooperative statutes. A common organizational feature of other cooperative statutes, normally found in Tier 2 statutes, is the idea of one-member, one vote. It is common to include one member, one vote as the official format for a cooperative to vote to uphold one of the main values of worker cooperatives. The second most common feature of worker cooperatives, the patronage system, is also not clearly stated in the Illinois statute. Sec. 15 does state that, "So much of the profits or earnings of such association, as may seem best to the directors, shall be distributed to those entitled."¹⁸ Sec. 19 lists the method of distribution such that, "the by-laws shall provide that the profits shall be distributed, first-upon stock and to purchasers or sellers (customers) based upon the percentage of purchases, or sales; or, second-to purchasers or sellers exclusively, based upon the percentage of purchasers or sales; and no vested interest shall attach to any of the above methods which shall prevent changing from and substituting another provision provided herein."¹⁹ This language of profit distribution to shareholders based on percentage of sales aligns the Illinois statute under a consumer cooperative model versus a worker cooperative. At minimum, other statutes also falling within Tier 2 and 4, explicitly name patronage based on hours worked or performed in the cooperative as the basis for distribution of earnings. Other common social values found in tier 1 and tier 2 statutes missing in the Illinois statute are contribution to member education, and assisting community or community organizations.

What typifies Tier 3 statutes, aside from lack of incorporation of social values within the statute, are that the organizational rules are more defined. The Illinois statute is no different in that it states the minimum amount of members (five) needed to form the cooperative.²⁰ It also clearly states the cooperative has to be managed by a board of directors consisting of a director, one or more vice presidents, a secretary, and a treasurer.²¹ A manager would be selected and under the control of the board of directors. The board itself would be voted by and from the shareholders of the cooperative.²² This is actually a very common set-up in cooperative statutes with varying amounts of required directors and the amount of people need to start a cooperative.

The Illinois statute also sets several financial rules. One feature is the ability to divide shares into different types of classes.²³ This could potentially allow a cooperative to designate non voting shares, to facilitate possible capital raising

16 (805 ILCS 310/1) (from Ch. 32, par. 305) Section 1.

17 (805 ILCS 310/1) (from Ch. 32, par. 305) Section 1.

18 (805 ILCS 310/1) (from Ch. 32, par. 319) Section 15.

19 (805 ILCS 310/1) (from Ch. 32, par. 323) Section 19.

20 (805 ILCS 310/1) (from Ch. 32, par. 305) Section 1.

21 (805 ILCS 310/1) (from Ch. 32, par. 311) Section 7.

22 (805 ILCS 310/1) (from Ch. 32, par. 311) Section 7.

23 (805 ILCS 310/1) (from Ch. 32, par. 305) Section 1.

without affecting the voting power of the shareholder members. Also the cooperative buy-in amount is set to a limit not to exceed \$1,000, but with a minimum value of \$5.²⁴ Limits are set in share of the cooperative where no members is allowed more than 10 shares or the aggregate value of \$10,000.²⁵ The cooperatives are also granted the ability, if the shareholders vote in the majority to do so, to invest in another business or cooperative, not exceeding 25% of its common stock and reserve fund.²⁶ Some of these measures can potentially assist in the capital raising ability of a cooperative. However, a large flaw in the Illinois statute is lack of language explicitly stating the patronage system of earning distribution.

24 (805 ILCS 310/1) (from Ch. 32, par. 306) Section 2.

25 (805 ILCS 310/1) (from Ch. 32, par. 306) Section 2.

26 (805 ILCS 310/1) (from Ch. 32, par. 306) Section 2.

Policy Recommendations to Amend Illinois State Law

Technically, a worker cooperative does not need to have a worker cooperative statute in place to designate itself a worker cooperative. A worker cooperative, simply a worker owned business with its own organizational rules and values, can technically register itself as an LLC or general partnership. The rules and values can be added within the bylaws of the LLC or general partnership so they can organize as a worker cooperative. There are however three main benefits that a worker cooperative statute does provide:

1. The legal naming rights to the worker cooperative entity
2. Added tax benefits under Subchapter T where dividends are not taxed
3. A cohesive framework for all worker cooperatives to abide by

The existing worker cooperative statute currently allows for the legal naming rights to be classified as a worker cooperative entity. The existing statute also has some conventions seen in many worker cooperative statutes. Those conventions include: the setup of the board of directors and their titles, that those officers be selected from the cooperative members, and for the requirement for the initial buy-in not exceed \$1,000. However, the terms patronage are not expressly stated in the law, which would allow for the explicit tax rights of subchapter T. That is why it is recommended that the existing worker cooperative statute allow the following:

- Explicitly state payment of dividends through patronage
- Make reference to more worker cooperative values, specifically one-member, one-vote

Explicitly state payment of dividends (or earnings) via patronage

One of the main benefits of existing worker cooperative statutes are that dividends are not taxed twice, so a worker cooperative may avoid double taxation. Most all tier 1 and tier 2 statute categories mention dividend distribution by patronage within their statutes. In a traditional corporation, taxation occurs twice at the business level and the owner level. If a statute explicitly states the distribution of earnings, also called dividends and margins, to be by patronage, this guarantees single taxation under federal tax codes. This is also a key social value for worker cooperative entities. It should be noted that the *individual member* must still pay taxes on patronage dividends received, however at the entity level, the dividend distribution is not taxed.

Make reference to more worker cooperative values, specifically one-member, one-vote

One of the main values common across all worker cooperative advocacy groups are that worker cooperatives should allow for all its members to have voting rights and representation with how the business is managed. The current Illinois statute does not currently have explicit language on one member, one vote. Language should be incorporated such as many tier 1 and 2 statutes that incorporate one member one vote. Language can be adopted from any of the tier 1 and tier 2 statutes in the appendix.

Conclusion

Worker cooperatives have an extensive history in the United States that date back to early labor organizing of the late 1800s. While the history is rich, worker cooperatives are just beginning to see a resurgence in public discussion regarding employment and economic development opportunities. With continuing underemployment, the current Illinois statute can be modified to further facilitate community groups in developing worker cooperatives as intentional strategies for employment growth and wealth creation. The current Illinois statute has already been modified in 2016 to allow all types of industries in Illinois to be formed as cooperatives. This has been a major step in advancing the organizational structure of the cooperative statute. Moving forward, the Illinois Co-operative Act (805 ILCS 310/1) should be amended to incorporate the social values of one-member, one vote, and dividend distributions through patronage. This would ensure that the statute maintains the social values inherent in the worker cooperative movement.

Appendix A: Definitions

Dividend - An individual share of something distributed: such as a) a share in a pro rata distribution (as of profits) to stockholders. Profits are distributed to shareholders as *dividends*.

Double Taxation - Taxation of net income at the corporate level first then again at the personal level with the payment of dividends.

Labor Patronage - Number of hours worked for the company or total labor compensation received from the company by a member or non-member during the fiscal year.

Patronage Dividend - A dividend or distribution of net income that a co-op makes to its members. As defined by Subchapter T, earnings allocated to members on the basis of *labor patronage*; can be in the form of cash or written notices of allocation. Patronage dividends may not be declared on non-member or unrelated business income.

Retained Earnings - The portion of the net earnings not paid out as dividends, but retained by the firm to reinvest in its business operations or pay off debt. Retained earnings increase the net book value resulting from the operations of the firm. In an internal capital account cooperative, the retained earnings is the value in the individual accounts and collective accounts less the value of the membership shares.

Appendix B: Bibliography

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Perotin, Virginie. "What Do We Really Know About Worker Co-operatives?" *Co-Operatives UK Coop*. Revised 09/02/2016.

Appendix C: Cooperative Statute Comparisons

State	Name of Act and Citation	Definition of a Worker Cooperative	Business Type Restrictions	Allows for a specific Cooperative Entity? If not, what is the entity?
Alaska	Alaska Cooperative Corporation Act (10.15.005)	§ 10.15.595 "A cooperative corporation subject to the provisions of this chapter."	Unable to conduct business in the banking, insurance, and or furnishing electric or telephone service	Yes under § 10.15.575.
Alabama	Alabama Employee Cooperative Corporations Law (Section 10A-11.1.01)	§ 10A-11-1.02. Definitions Employee Cooperative - A corporation which has elected to be governed by this chapter.	None	Yes under § 10A-11-1.05. Corporate name "An employee cooperative may include the word "cooperative" or "co-op" in its corporate name, provided, however, that the name shall not include the words "electric" or "power".
Arkansas	Arkansas Code Title 4 -Business and Commercial Law Subtitle 3 - Corporations and Associations Chapter 30 - Cooperative Associations Subchapter 1 - General Provisions	AR Code § 4-30-101. Definition "As used in this chapter, unless the context otherwise requires, the "cooperative plan" shall be construed to mean a business concern that distributes the net profits of its business by:(1) The payment of a fixed dividend upon its stock; and(2) The remainder prorated to its several stockholders upon their purchases from or sales to the concern or both such purchases and sales.	None, § 4-30-107 Membership purposes specifically names agricultural, dairy, mercantile, banking, mining, manufacturing or mechanical business. Leaves a wide net but does not necessarily exclude businesses.	No under § 4-30-106. Corporate title The title of the corporation may begin with "The" and shall end with "Association", "Company", "Corporation", "Exchange", "Society", "Union", or "Incorporated" or its abbreviation "Inc."
California	Cooperative Corporation Law (CA § Corp Code 12200 (2016))	§ 12200 Includes consumer cooperatives, worker cooperatives, and cooperatives formed for the purpose of recycling or treating hazardous waste.	None	Yes §12311 (a) The names of all corporations formed under this part shall include cooperative

Incorporates language supporting social values of coops	Incorporates language of organizational structure	Specific Language on Patronage Structure	Specific Language on Financing	Web Link to Statute
§10.15.130. one member one vote, but can	§10.15..175. Principles officers are the president, one or more vice presidents, secretary, treasurer. Elected annually by board. Other officers can be selected by the board. § 10.15.170 states if bylaws allow, the board can select executive committee of at least 3 or more directors to exercise the authority of the board to manage the coop. § The board of directors manages the business and affairs of a cooperative.	§10.15.095 A coop organized with capital stock may pay the dividend on capital. § 10.15.045 shares and share classes designated in the bylaws	Number of shares can be determined in the Articles. Capital stock has no voting power.	http://www.touchngo.com/lglcntr/akstats/statutes/Title10/Chapter15.htm
§10A-11-1.06. «each member shall own only one membership share» § 10A-11-1.08 (a) No capital stock other than membership shares shall be given voting power in an employee coop § 10A-11-1.08 amendments affecting members may not be adopted without the vote of the members	§10A-11-1.07 mentions bylaws should have power to organize, and allows nonmembers to serve as officer/directors but shall not exceed 25% of the directors	§10A-11-1.11 outlines the internal Capital account and section (b) specifically mentions retained earnings based on patronage	§10A-11-1.08 (a) No capital stock other than membership shares shall be given voting power in an employee coop limits power of investment shares	https://law.justia.com/codes/alabama/2013/title-10a/chapter-11/
§4-30-112 (b) limits voting to members not by stock	§4-30-110 not fewer than 5 officers, at least 1 president, 1 or more vice presidents, a secretary, a treasurer,	not specified	§4-30-111 20% of the capital stock needs to be paid in cash or written statement of that	https://law.justia.com/codes/arkansas/2015/title-4/subtitle-3/chapter-30/subchapter-1/
§12317 (g) states coops may provide education, patronage schemes	§12313 allows for the establishment of the bylaws to determine member classes, and the board § 12331 sets what to contain in the bylaws but leaves it up to coop § 12352 sets the organizational power of the board to set committees	§12317 allows for the capital account coop	§12317 allows for the capital account coop	https://law.justia.com/codes/california/2016/code-corp/title-1/division-3/part-2/

State	Name of Act and Citation	Definition of a Worker Cooperative	Business Type Restrictions	Allows for a specific Cooperative Entity? If not, what is the entity?
Colorado	Colorado Uniform Limited Cooperative Association Act (CO Rev Stat § 7-58-101 (2016))	§ 7-58-102 (6) Cooperative means a limited cooperative association or an entity organized under any cooperative law of any jurisdiction.	None. § 7-58-105 (2) A limited cooperative association may be organized for any lawful purpose, whether or not for profit.	Yes under § 7-58-111 (1) use of the term "cooperative" or its abbreviation under this article or section 7-90-601 is not a violation of the provisions restricting the use of the term under section 7-90-601 (7)(a)
Florida	Agricultural Cooperative Marketing Associations (Chapter 618)	§ 618.01 definitions (3) Association means any corporation organized as a cooperative association, for the mutual benefit of its members either as producers of agricultural products or as nonprofit cooperative organizations of producers of agricultural products, or both, and in which the the returns on the stock or membership capital is limited...	Yes, limited to agriculture. § 618.01 (3) producers of agricultural products	Yes under 618.27. (1) No person doing business in this state, shall be entitled to use the word "cooperative" as part of its corporate or other business name or title unless it has compiled with the provisions of this chapter
Georgia	Cooperative Marketing Act (§2-10-80)	§ 2-10-81 (2) defines an association instead of a coop. "Association" means any corporation organized under this article.	Exemptions not explicitly stated but all language centers on "agricultural cooperatives" see §2-10-81 (3)	Yes under § 2-10-111. No person, firm, corp, or association organized or doing business in this state as a coop association to market agri products shall be entitled to use the word "cooperative" as part of its corporate or other business ane, unles it has complied with this article.
Illinois	Business Organizations Co-operative Act (805 ILCS 310/)	5 or more subscribers to the shares of the capital stock of a corporation....who may be desirous of uniting in any co-operative association..	NA	Corporation with naming right to cooperative
Iowa	Iowa Code Title XII - Business Entities Subtitle 3 - Associations Chapter 499 - Cooperative Associations Section 499.1 (IA Code § 499.1 (2014))	§ 499.2 (4) "Association" means a corporation formed under this chapter.	Yes. 499.5 Permissable Organizers. Agriculture (2) all individual incorporators of agricultural associations must be engaged in producing agricultural products. Utilities (3) a nonprofit water utility (4) telephone company organized as a nonprofit corporation	Yes under § 499.4 A person including a corporation hereafter organized, which is not an association as defined in this chapter or a cooperative as defined in chapter 501 or 501A shall not use the word "cooperative" or any abbreviation thereof...

Incorporates language supporting social values of coops	Incorporates language of organizational structure	Specific Language on Patronage Structure	Specific Language on Financing	Web Link to Statute
§7-58-106 (M) to make donations for the public welfare or charitable, scientific, or educational purposes	NA	§7-58-104 nature of limited cooperative association, (1) a limited cooperative association... patronage of which is carried on for the mutual benefit of the patron members and that permits: (a) ownership, financing, and receipt of benefits by the patron members for whose patronage is formed		https://law.justia.com/codes/colorado/2016/title-7/associations/article-58/part-1/
§618.15 (5) No member in any association without capital stock shall be entitled to more than one vote.	§618.12 Sets organization in bylaws, board of not less than 3 directors elected by members. (3) bylaws may provide for the executive committee.	§618.15 (3)		https://law.justia.com/codes/florida/2005/TitleXXXVI/ch0618.html
§2-10-91 one member one vote (d) no member or stockholder shall be entitled to more than one vote	§2-10-87 (d) board of not less than 5 directors elected by members. §2-10-88 (a) directors shall determine the president or vice presidents, secretary and treasurers	§2-10-106 outlines the patronage scheme		https://law.justia.com/codes/georgia/2010/title-2/chapter-10/article-3/
No	Yes. Board requires minimum of 5 directors with the following officers: president, one or more vice presidents, a secretary, a treasurer, and a manager under the control of the directors	805 ILCS 310/19... profits shall be distributed, first upon stock and to purchasers or sellers based on percentage of purchases...or second to purchasers or sellers exclusively...	Yes, shares value limited to a minimum of \$5 and a maximum of \$1000. Shares limited to 10 per shareholder	http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=2295&ChapterID=65
§499.28 one member one vote	§499.36 at least 5 directors on the board, number to be set in bylaws, 499.37 the board of directors of the association shall elect the association's officers	§499.34 association can issue deferred patronage dividends 499.23 dividends issued on common stock		https://law.justia.com/codes/iowa/2014/title-xii/subtitle-3/chapter-499/

State	Name of Act and Citation	Definition of a Worker Cooperative	Business Type Restrictions	Allows for a specific Cooperative Entity? If not, what is the entity?
Maryland	Maryland Code Corporations and Associations Title 5 - Special Types of Corporations Subtitle 5 - Agricultural Cooperatives Section 5-502. § 5-502	§ 5-501 (b) «Agricultural cooperative» means a corporation organized or converted under this subtitle, which operates of the mutual benefit of its members and conforms to the following requirements.	§ 5-503 specifically states agriculture, fishery products	Yes under §5-510 Compliance with subtitle required.
Massachusetts	Employee Cooperative Corporations Act (General Laws - Part 1 - Title XXII - Chapter 157A).	§ 2 “employee cooperative” a corporation which has elected to be governed by the provisions of this chapter	NA	Yes under §5 Corporate Name. An employee cooperative may include the word “cooperative” or “co-op”
Minnesota	Minnesota Cooperative Associations Act (MN § Stat 308B.001 (2013))	§ 308B.005 Subdivision 9 “cooperative” means an association organized under this chapter conducting business on a cooperative plan as provided under this chapter	None. §308B201 (3) for any other purposes that cooperatives are authorized to perform by law	Yes under §308B.211 Subdivision 1. The name of a cooperative shall distinguish the cooperative...upon the records in the Office of the Secretary of State...from the name of a domestic business entity or a foreign business entity
Mississippi	Mississippi Code - Title 79 - Corporations, Associations, and Partnerships Chapter 19 - Agricultural Cooperative Marketing Associations	§ 79-19-3 (c) The term “association” means any association organized under chapter; and	§79-19-3 Orgs are «nonprofit.» Associations organized hereunder shall be deemed nonprofit, inasmuch as they are not organized to make profits for themselves, as such, or for their members, as such, but only for their members as producers. §79-19-7 specifically defines agricultural products, but don't know if that is restricted. § 79-19-1 also specifically defines marketing of agricultural products	Yes under §79-19-39 ...no person, firm, corporation, or association hereafter organized or doing business in this state shall be entitled to use the word “cooperative” as part of its corporate or other business name...unless it has complied with the provisions of this chapter.

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<p>§5-501 one member one vote (1) a member is of the cooperative is not allowed more than one vote, regardless of the amount of stock or membership capital he may own.</p>	<p>§5-512 At least 5 directors, each of whom is a member of the cooperative Board manage coop. Required offices included in § 5-517 president, vice president, secretary, treasurer, other officer permitted in bylaws</p>	<p>§5-501 (4) After payment of every necessary expense and authorized deduction, the proceeds from the business of the cooperative are distributed to the members in proportion to the volume of business transacted by them, with the coop. patronage fully outline in §5-525 for items that bylaws need to include</p>		<p>https://law.justia.com/codes/maryland/2010/corporations-and-associations/title-5/subtitle-5/</p>
<p>§7 one share, one member, one vote. Voting limited to membership shares only</p>	<p>§9-11 review possible accounting system, which does not appear mandatory §3 states organizational structure same as corporate structure (156B with exception of 78-/8)</p>	<p>§8 distribution determined in bylaws, distributed as a ratio of patronage § 9 outlines internal capital accounts §10 explains the system</p>		<p>https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXXII/Chapter157A</p>
<p>§308B.241 One member one vote, (4) a statement that patron membership interests with voting power shall be restricted to one vote for each member regardless of the amount of patron membership interests held in the affairs of the cooperative or a statement describing the allocation of voting power allocated as prescribed in this chapter;</p>	<p>§308B.405 board shall not have less than five directors, except that a cooperative with 50 or fewer members may have 3 or more directors as prescribed in articles</p>			<p>https://law.justia.com/codes/minnesota/2013/chapters-300-319b/chapter-308b/</p>
<p>Not clear or specified</p>	<p>§79-19-17 allows bylaws to dictate qualifications of directors, the qualification of stockholders, entrance fee, and payments §79-19-21 states the board shall not have less than 5 directors</p>			<p>https://law.justia.com/codes/mississippi/2013/title-79/chapter-19/</p>

State	Name of Act and Citation	Definition of a Worker Cooperative	Business Type Restrictions	Allows for a specific Cooperative Entity? If not, what is the entity?
Missouri	Missouri Laws - Chapter 357 - Cooperative Companies	§357.010 Any number of person not less than 12 may associate themselves as a cooperative.... producing and furnishing goods	No. §357.010 words language as any service or furnishing of goods which seems to not limit.	None
Montana	Montana Code - Title 35 - Chapter 15 - Cooperative Associations	NA	None. §35-15-201 "carrying out any branch in industry."	None
Nebraska	Nebraska - Statute 21-1301	NA	Yes. §21-1301 Electrical cooperatives or electric member associations	Yes. §21-1302. (1) That the word cooperative shall be included in its corporate name and that it proposes to organize as a cooperative corporation.
New Mexico	Cooperative Association Act - Chapter 53, Article 4 NMSA 1978	§53-4-1 (A) "association" means a group enterprise legally incorporated hereunder, and shall be deemed to be a non-profit corporation	No industry limitation §53-4-2 needs 5 or more people or 2 or more association § 53-4-3 establishes wide scope for conducting business	Yes under §53-4-37 allows the designation of the name "cooperative"
New York	Cooperative Corporations Law	§3 (c) the terms «cooperative,» «cooperative association» and «cooperative corporation» mean a corporation organized under this chapter. A cooperative shall be either a general cooperativem, a membership cooperative, an agricultural cooperative as defined in article 6	None. §3 (c) leaves wide scope	Yes under §3 (J) states only coops defined in this chapter can use this term.

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<p>§357.100 states aside from general authority of the general affairs by the board, control of policies is by the members including the distribution of profits, dividends. one member, one vote.</p>	<p>§357.080 board of not less than 5 (president, one or more vice presidents, secretary and treasurer. §357.080</p>	<p>§357.130 Sets the distribution of earnings. First 10% of earnings shall be set aside in a reserve fund, until 50% of stock fund accumulated. Dividends based upon sales or purchases of those who have done business.</p>		<p>https://www.lawserver.com/law/state/missouri/mo-laws/missouri_laws_chapter_357</p>
<p>§35-15-202 one share per person. §35-15-411 specifically recommends setting aside funds for education</p>	<p>§not less than 3 directors (president, vice-president, secretary, treasurer, only stockholders shall be elected directors</p>	<p>§35-15-411 outlines the dispersal of dividends</p>	<p>§35-15-401 allows profit sharing without membership by dividing class stock</p>	<p>https://www.lawserver.com/law/state/montana/mt-code/montana_code_title_35_chapter_15</p>
<p>§21-1303 One member, one vote. (3) to provide that each individual holder of common stock may be limited to one vote per person, regardless of the number of shares of stock which he or she may own, at any stockholders' meeting and that such vote may be cast only in person</p>	<p>Bylaws and articles of incorporation set structure. §21-1303 (7) to adopt articles and bylaws for the management and regulation of the affairs of the company which shall set the number of directors, the terms of such directors, including any provisions for the staggering of such terms, the number or percentage of stockholders or shares of stock required to be present, in person or by proxy, in order to constitute a quorum at each stockholders' meeting, which number or percentage shall not be less than ten percent of the stockholders but never more than fifty nor less than five stockholders.</p>	<p>Yes. §21-1302 (3) That the net earnings or savings of the company remaining after making the distribution provided in subdivision (2) of this section, if any, shall be distributed on the basis of or in proportion to the amount or value of property bought from or sold to members, or members and other patrons, or of labor performed or other services rendered to the corporation. This subdivision shall not be so interpreted as to prevent a cooperative company from declaring patronage dividends at different rates upon different classes or kinds or varieties of goods handled.</p>	<p>§21-1302 (2) That dividends on the capital stock shall be fixed but shall not exceed eight percent per annum of the amount actually paid thereon;</p>	<p>https://nebraskalegislature.gov/laws/statutes.php?statute=21-1301</p>
<p>§53-4-1 (1) one member one vote, also specified in §53-4-13 one member, one vote</p>	<p>53-4-18 board of not less than 5 directors §53-4-19 says association shall have a president, one or more vice presidents, a secretary, and a treasurer</p>	<p>§53-4-22 Allows but sets limitations; interest -dividends shall not exceed 15% per year and noncumulative. total interest-dividends shall not exceed 50% 53-4-31 also states "a proportionate savings" not less than 10% shall be placed in surplus</p>		<p>https://law.justia.com/codes/new-mexico/2006/nmrc/jd_ch53art4-115ad.html</p>
<p>Not clear or specified</p>	<p>§ 5 states corp laws applies to coops with exceptions</p>	<p>Not clear or specified</p>		<p>https://law.justia.com/codes/new-york/2006/cooperative-corporations</p>

State	Name of Act and Citation	Definition of a Worker Cooperative	Business Type Restrictions	Allows for a specific Cooperative Entity? If not, what is the entity?
North Carolina	North Carolina General Statutes Chapter 54 Cooperative Organizations	§54-130 (a) ..any corporation organized under this subchapter	Limited to agriculture. §54-132 any association...producing, marketing, or selling agricultural products.	Yes under §54-139 (b)
Ohio	Ohio Cooperative Law OH Rev Code § 1729.02	§1729.01 (a) agricultural cooperative means a cooperative to which (1) agricultural activity (2) agricultural coops exercise more than 50% of voting control (3) at least 50% of business with producers or agricultural cooperatives	Limited to agriculture. §1729.01 specifically names agricultural activity.	Yes under §1729.04 (A)
Oklahoma	Oklahoma Agricultural Code 2 OK Stat § 2-1-1 (2014)	§ 2-17-3 "Association" means any corporation organized to the act...for the mutual benefit of members, as agricultural producers, in which return on stock not to exceed 8%	§2-17-3 (B) associations deemed nonprofit inasmuch as they are not organized to make profit for themselves, not for their members , but only for their members as producers or users or products purchased.	Not clear. §2-17-5 states that organizations can participate in the marketing or selling of agricultural products...but does not specify other industries
Oregon	Oregon Cooperative Corporation Act (1957 C.716 § 4)	§62.015 (4) Cooperative means a cooperative corporation that is subject to the provision of this chapter	Yes, §62.115 banking and insurance only exemptions	None. §62.131 mentions name but not coop entity
Rhode Island	Rhode Island General Laws - Title 7 - Corporations, Associations and Partnerships- Chapter 7-6.2 - Workers' Cooperatives	§7 6.2-2 (5) «Workers' cooperative» means a corporation that has elected to be governed by the provisions of this chapter.	NA	None
South Dakota	South Dakota Codified Laws - Title 47 - Corporations - Chapter 15 - Cooperatives §47-15-1	§47-15-1(2) a cooperative corporation which is subject to the provisions of chapters 47-15 ti 47-20	§47-15-2 banking and insurance prohibited	Yes under §47-15-41
Tennessee	Tennessee Cooperative Marketing Law §43-16-101	§43-16-103 (2) association means any corporation organized under this chapter.	Limited to agriculture. §43-16-102 specifically mentions marketing agricultural products	None

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Not clear or specified	§54-139 sets articles of incorporation for organization and §54-136 sets for bylaws	§54-136 Set for in in bylaws		https://law.justia.com/codes/north-carolina/2015/chapter-54/
Not clear or specified	§1729.22 (A) not less than 5 directors. (d) bylaws can provide for a executive committee	§1729.13 (a) an association may pay dividends annually on its capital stock...on the basis of patronage.		https://law.justia.com/codes/ohio/2011/title17/chapter1729
Not clear or specified	§2-17-10 dividends to be decided by bylaws, as well as the number of directors, and fees. §2-17-15 board shall not be less than 5 or more than 21 directors. all directors shall be members of the association. §2-17-16 officers shall be a president, one or more vice presidents, secretary, and treasurer	§2-17-13 dividends not greater than 8%		https://law.justia.com/codes/oklahoma/2014/title-2/
Not clear or specified	§62.280 organizational structure dictated by bylaws. powers exercised under the board of directors not less than 3 §62.290 allows for bylaws to allow board to elect executive committee of 3 or more directors.	§62.225 ...may pay a dividend upon capital stock as is authorized by articles.		https://www.oregonlaws.org/ors/chapter/62
§7 6.2 (a)no capital stock has voting power	§6.2 (a) the bylaws of a workers' cooperative shall provide for the election, terms, classifications, if any, and removal of directors and officers in accordance with the provisions of this chapter of the provisions of chapter 1.2 title 7	§7-6.2-10 (a) mentions patronage allocation		https://law.justia.com/codes/rhode-island/2017/title-7/chapter-7-6.2/
Not clear or specified	§47-15-35 states powers set in bylaws			https://law.justia.com/codes/south-dakota/2013/title-47/chapter-15/
§43-16-126 One member, one vote	§43-16-110 (5) states no less than 5 directors §43-16-119 bylaws can provide for committee §43-16-121 directors select 1 or more vice presidents, secretary, treasurer,	Not clear or specified		https://law.justia.com/codes/tennessee/2010/title-43/chapter-16

State	Name of Act and Citation	Definition of a Worker Cooperative	Business Type Restrictions	Allows for a specific Cooperative Entity? If not, what is the entity?
Texas	Texas Cooperative Association Act, Texas Business Organizations Code, Chapter 251	§251-001 (1) «Cooperative basis» means that net savings, after payment of any investment dividends or after provision for separate funds has been made as a required or authorized by law, the certificate of formation, or bylaws, are:	NA	Yes under §251-452 (a) only a cooperative association governed by this chapter...may use the term "Cooperative"
Virginia	Code of Virginia - Title 13.1 - Corporations - Chapter 3 - Cooperative Associations Article 1	§13.1-301 Any number of persons, not less than five, may, under the provisions of Article 3 (§ 13.1-618 et seq.) of Chapter 9 of this title or Article 3 (§ 13.1-818 et seq.) of Chapter 10 of this title, associate themselves together as a cooperative association, society, company or exchange, for the purpose of (i) conducting any housing, agricultural, fishing, dairy, mercantile, merchandise, brokerage, water, sewer, manufacturing, service or mechanical business on the cooperative plan or (ii) representing or providing financing for cooperative associations, societies, companies, or exchanges organized pursuant to the laws of this Commonwealth or any other state, provided that the word "cooperative" shall be included as a part of the name. Except for a cooperative association organized to conduct business as a water or sewer company, no cooperative association organized under this article shall conduct any business in this Commonwealth as a public service company or exercise any privileges of such company.	§13.1-301 Exemption on public service companies that are not water or sewer	Yes under §13-1-308 limits use of "cooperative" name unless part of this article

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<p>§251-302 (2) net savings can be used to an educational fund for teachig cooperation §251-254 one-member one vote</p>	<p>§251-101 at least 5 directors, not too exceed 3 years. §251-102 a president, one or more vice presidents, secretary, and treasurer. More offices can be set in bylaws</p>	<p>§251-302 (5) funds can be allocated in proportion to individual patronage</p>		<p>https://statutes.capitol.texas.gov/Docs/BO/htm/BO.251.htm</p>
<p>§13.1-302 one vote, §13.1-306 certain allocation for teaching cooperation</p>		<p>§13.1-306 set distribution of earnings</p>		<p>https://law.justia.com/codes/virginia/2016/title-13.1/chapter-3/</p>

State	Name of Act and Citation	Definition of a Worker Cooperative	Business Type Restrictions	Allows for a specific Cooperative Entity? If not, what is the entity?
Virginia	Code of Virginia - Title 13.1 - Corporations - Chapter 3 - Cooperative Associations Article 2	§13.1-313 c) «Association» means a corporation organized under or adopting the provisions of this Act, or a foreign association or corporation authorized to do business in this Commonwealth, organized under any general or special act as a cooperative association for the mutual benefit of its members and other patrons as farmers, and which confines its operations to purposes authorized by this Act and restricts the return on the stock or membership capital and the amount of its business with nonmembers to the limits placed thereon by this Act for associations organized hereunder and which qualifies to do business in this Commonwealth under this Act. Associations shall be classified as and deemed to be nonprofit corporations, inasmuch as their primary object is not to pay dividends on invested capital, but to render service and provide means and facilities by or through which the producers of agricultural products may receive a reasonable and fair return for their products and obtain supplies and services on a cooperative nonprofit basis.	§13.1-301 restriction on public utilities except water or sewer	Yes under §13.1-308 (a)
West Virginia	West Virginia Code - Chapter 19 - Agriculture - Article 4 - Cooperative Associations	§19-4-1 (d) Cooperative Association means any corporation organized under this article	§19-4-3 specifically outlines agricultural goods and services	Yes under §19-4-21 (a) a cooperative association formed pursuant to this article shall the words cooperative
Wisconsin	Wisconsin Cooperative Associations Act §193.001	§193.005 (9) Cooperative means an association organized under this chapter conducting business on a cooperative plan as provided under this chapter	NA	Yes under §193.105 (1) A business entity may not use the term "cooperative" as part of its business name or title or represent itself as a cooperative, in this state, unless the business entity is a cooperative or foreign cooperative or is organizer under ch185

Incorporates language supporting social values of coops	Incorporates language of organizational structure	Specific Language on Patronage Structure	Specific Language on Financing	Web Link to Statute
<p>§13.1-302 no holder of common stock in any stock cooperative association shall own shares of a greater par value than \$1,000 except as hereinafter provided or be entitled to more than one vote §13.1306 education...5% of the remaining net earning for teaching cooperation</p>	<p>Not clearly stated</p>	<p>13.1-306 first pay dividend on paid-up capital stock not exceeding 8%, and then set not less than 10% of remaining earnings for a reserve fund until an amount in reerve fund has accumulated in the reserve equal to 30% of paid up capital, then 5 % of remainder to an educational fund for coops, then distribute remainder to stockholders</p>		<p>https://law.justia.com/codes/virginia/2016/title-13.1/chapter-3/</p>
<p>§19-4-13 (d) one member, one vote</p>	<p>§19-4-10 not less than 3 directors, §19-4-11 directors elect from their number one or more vice presidents, elect a secretary, treasurer</p>	<p>Coop to determine in bylaws §19-4-8 (i)</p>		<p>https://law.justia.com/codes/west-virginia/2017/chapter-19/article-4/</p>
<p>§193.545 one vote for patrons, HOWEVER §193.551 (a) the articles of bylaws may grant additional vote based on equity allocated to the patron § 193.487 makes director education mandatory §193.725 2(a) set aside 5 % of the annual profits (if decided by board) for promoting and encouraging cooperative organization</p>	<p>§193.405 Number of directors, at least 5 but allows 3 if fewer than 50</p>	<p>§193.241 ...dividends and additions to reserves shall be distributed on the basis of patronage §193.725 profits allocated to patrons distributed on the basis of patronage\</p>		<p>https://docs.legis.wisconsin.gov/statutes/statutes/193</p>

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Wyoming	Wyoming Processing Cooperative Law §17-10-201	§17-10-202 (vi) "Cooperative" means an association organized under this article conducting business on a cooperative plan as provided under this article	Yes, restricted to agriculture. §17-10-205 A cooperative may be formed and organized on a cooperative plan as provided under this article to market, process, or otherwise change the form or marketability of crops, livestock and other agricultural products, including manufacturing and further processing of those products and other purposes that are necessary or convenient to facilitate the production or marketing of agricultural products by patron members and other purposes that are related to the business of the cooperative.	Yes under §17-10-207 (a) The name of a cooperative shall distinguish the cooperative upon the records in the office of the secretary of state from the name of a domestic business entity or a foreign business entity, authorized or registered to do business in this state or a name the right to which is, at the time of organization, reserved or provided for by law.

Incorporates language supporting social values of coops	Incorporates language of organizational structure	Specific Language on Patronage Structure	Specific Language on Financing	Web Link to Statute
<p>§17-10-208 One, member one vote vii) A statement that patron membership interests with voting power shall be restricted to one (1) vote for each member regardless of the amount of patron membership interests held in the affairs of the cooperative or a statement describing the allocation of voting power allocated as prescribed in this article;</p>	<p>§17-10-215 A cooperative shall be governed by its board. §17-10-216 The board shall have not less than three (3) directors. §17-10-221 (a) The board shall elect:</p> <ul style="list-style-type: none"> (i) A chair; and (ii) One (1) or more vice-chairs. <p>(b) The board shall elect or appoint:</p> <ul style="list-style-type: none"> (i) A records officer; and (ii) A financial officer. <p>(c) The board may elect additional officers as the articles or bylaws authorize or require.</p> <p>(d) The offices of records officer and financial officer may be combined.</p> <p>(e) The chair and first vice-chair shall be directors and members. The financial officer, records officer, and additional officers need not be directors or members.</p> <p>(f) The board may employ a chief executive officer to manage the day-to-day affairs and business of the cooperative.</p> <p>(g) Other than the chief executive officer, members may remove an officer at a members' meeting for cause related to the duties of the position of the officer and fill the vacancy caused by the removal.</p>	<p>Yes §17-10-233 (a) The bylaws shall prescribe the allocation of profits and losses between patron membership interests collectively and other membership interests. If the bylaws do not otherwise provide, the profits and losses between patron membership interests collectively and other membership interests shall be allocated on the basis of the value of contributions to capital made by the patron membership interests collectively and other membership interests and accepted by the cooperative. The allocation of profits to the patron membership interests collectively shall not be less than fifteen percent (15%) of the total profits in any fiscal year.</p> <p>(b) The bylaws shall prescribe the distribution of cash or other assets of the cooperative among the membership interests of the cooperative. If not otherwise provided in the bylaws, distribution shall be made to the patron membership interests collectively and other members on the basis of the value of contributions to capital made and accepted by the cooperative by the patron membership interests collectively and other membership interests. The distributions to patron membership interests collectively shall not be less than fifteen percent (15%) of the total distributions in any fiscal year.</p>		<p>https://law.justia.com/codes/wyoming/2016/title-17/chapter-10/article-2/section-17-10-201/</p>



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