

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Permits the judicial dissolution of a cooperative by an order of the court of common pleas of the county in which the cooperative has its principal executive office.
- There could be some effect on Local Government Fund revenues, dependent on the number of cooperatives that choose to convert to this new form.

Detailed Fiscal Analysis

Creation of new cooperatives

The bill authorizes the establishment of a new form of agricultural cooperative business entity for any lawful purpose. The existing Ohio Cooperative Law provides that these associations are corporations deemed nonprofit because they are not organized for the purpose of making profit for themselves but for their members as patrons. The new cooperative created under this bill is modeled after the Minnesota Cooperative Association Act. The structure of these new cooperatives would allow them to be taxed as Limited Liability Companies (LLCs) due to the pass-through tax treatment. The LSC bill analysis details the purposes, organization, governance of, and powers of the new cooperatives created in the bill.

Impact of change in tax treatment

Given the information available to LSC at the moment, it is unclear what the fiscal impact of this change in tax treatment would be. Once provided more information from the Secretary of State's office and the Department of Taxation, a better estimate can be made. Along with any effects on state GRF, distribution to the local government funds might also be affected.

Secretary of State filings

The new cooperative established in the bill will be required to pay filing fees to the Secretary of State's (SOS) office. The required filing fees are \$60 for the filing of the articles of a cooperative, \$500 for filing a curative filing of the articles of the cooperative, and \$35 for all other filings required under R.C. Chapter 1770 (which includes amendment of the articles and certificates of merger, consolidation, conversion, division, or dissolution). Curative filings are required when the SOS determines that a filing has been made in error by a cooperative. The SOS may revoke and expunge the erroneous filing and authorize a curative document to be filed.

In addition to the above filing fees, in each odd numbered year, a cooperative must file a biennial registration with the SOS. The SOS is required to establish procedures for the biennial registration, and mail this registration form to each cooperative. In the event that a cooperative has failed to file a registration, it will be dissolved by the SOS. The SOS must also annually inform the Attorney General and Tax Commissioner in writing of the dissolved cooperatives.

The creation of this new form of cooperative will likely not result in any net revenue gain or losses for the SOS. Any revenues collected through filing fees will likely be offset by the expenses the office will incur from the requirements stated in the paragraph above. It is not known at this time how many of these new cooperatives will be formed.

County court costs

The bill permits a cooperative to be dissolved judicially and its affairs wound up by an order of the court of common pleas of the county in Ohio in which the cooperative has its principal executive office, in an action brought by members having 60% of the voting power of the cooperative. The procedure for this action is discussed in detail in the LSC bill analysis. Presumably, there will not be many instances of judicial dissolution for these new cooperatives, and therefore, any additional costs to county courts would be minimal.

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