

2. Cooperatives do not pay income or profits taxes because they have no net income or profit.

Revenue in excess of cost is returned to the customer by prior agreement (usually in the by-laws).

Any business or corporation returning all revenue in excess of cost of service to the customer by appropriate agreement would have no income or corporate profit tax to pay.

How much does this reduce the total tax collected by government?

A. Probably very little if any.

1. The individual consumer has lower net cost for service than he would have if a profit were added to his bill.

2. With lower deductible costs the individual will have more personal net income subject to income tax.

3. With lower net cost the consumer will have more money left for the purchase of additional consumer goods which have taxes in their price.

Are there other than monetary and direct service benefits to the consumer through or in a Cooperative?

A. This is variable, but generally consumers working together in a Cooperative in one instance learn to

be collectively more self-reliant in many things with a resulting significant gain in community betterment.

B. The most significant related benefits from Cooperatives come in developing areas or countries where the people are just learning to work together for their own betterment.

Why do we sometimes see significant opposition to Cooperatives from big business and investor groups?

A. Probably because the Cooperative provides a yardstick for comparison and lets the consumer and the general public know what a particular product or service is really worth.

B. If consumers find that they are being over-charged by a particular investor-owned supplier they may react unfavorably toward such a supplier and its investor owners. That supplier and its investor owners may then express opposition to the very existence of a consumer-owned Cooperative enterprise which lets the consumer measure the fair value of a service or commodity and lets him provide it for himself through such a non-profit Cooperative if he desires.

Jefferson Energy Cooperative



The Case of the Cooperative

Why a Cooperative?

Generally to provide a product or a service not otherwise available or not available at a price or in the form or quality desired or required by a group of consumers.

How is a Cooperative established?

By a group of people or organizations with a common need or purpose joining together in a voluntary organization to further their common cause on a non-profit basis.

Who owns the Cooperative?

A true cooperative is owned and controlled by the members using the services of the cooperative with control on a one member one vote basis.

How does a person (or firm) become a member?

- A. By making application for membership and being accepted.
- B. Paying a membership fee, generally small.
- C. Agreeing to comply with the provisions of the by-laws etc. of the cooperative.

How does a member exercise his right of membership and ownership?

A. By participating in meetings of the members.

1. The members elect a board of directors from the membership.

2. The members adopt and approve the by-laws of the association.

3. Each and every member is entitled to one, and only one vote on each matter considered by the members.

Who actually operates the Cooperative?

A. Normally the Board of Directors elected by the members is given the responsibility for the operation of the cooperative within the framework of the by-laws adopted by the members.

B. The Board of Directors generally hires a manager who will then employ an operating staff and conduct the day to day operations within the limitations of the by-laws and the policies established by the board of directors.

C. The manager is responsible to the board of directors and the board of directors is in turn responsible to, and held accountable to, the member-owners.

How does the Cooperative get financing for investment in plant and the business?

A. Since the investment required of individual members is most often small, the cooperative requiring sizeable investment financing will generally borrow money in the name of the Cooperative.

B. Money borrowed by the Cooperative is repaid with interest just like any other business loan.

Is the individual member of the Cooperative responsible for debts of the Cooperative?

A. The individual member is responsible for payment to the Cooperative for products or services he receives from the Cooperative.

B. The individual member could lose the amount of his membership fee if the Cooperative should fall.

C. The individual member is not otherwise personally or individually responsible for the debts of the Cooperative.

What about profits earned by the Cooperative?

A. The Cooperative is a non-profit organization and any receipts in excess of cost of service are prorated and returned to the members on an equitable patronage basis. There is, therefore, no profit.

B. Sometimes excess receipts are retained by the Cooperative for a limited period before return to the individual members in order to provide working capital.

Why do Cooperatives not pay taxes?

A. This is an area of much misunderstanding because Cooperatives do pay taxes.

1. Most Cooperatives pay:

- a. Real estate taxes.
- b. Personal property taxes.
- c. Sales taxes.
- d. Excise taxes.
- e. Motor vehicle taxes.
- f. Gasoline taxes.
- g. Generally all other taxes any corporation

or other business pays.