

# OFFICE OF FISCAL ANALYSIS

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sSB-138

AN ACT MODERNIZING THE STATE'S COOPERATIVE  
ASSOCIATION STATUTES.

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## ***OFA Fiscal Note***

### ***State Impact:***

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 20 \$</b>	<b>FY 21 \$</b>
Secretary of the State	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund

***Municipal Impact:*** None

### ***Explanation***

The bill makes various changes to the laws governing cooperative associations (“co-ops”).

The bill reduces from seven to three the minimum number of individuals needed to organize a co-op. Under current law, co-ops must pay a franchise tax and get approval of their articles of association from the Secretary of the State (SOS) to become a co-op. To the extent new co-ops are established as a result of this provision, there may be a potential minimal revenue gain.

The bill also increases from \$5 million to \$50 million par value, the maximum amount of capital stock a co-op may decide on in its articles of association. Under current law, such capital stock is subject to the same franchise tax as the capital stock of other corporations organized under the general laws, which tax shall be paid to SOS. To the extent a co-op increases the maximum amount of capital stock it may decide on in its articles of association, there may be a potential minimal revenue gain.

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The bill eliminates current law that makes co-op members jointly and severally liable for all debts existing if the board fails to file an annual report with SOS or files a false report. Instead, the bill requires co-ops to annually file a report to SOS which includes, but is not limited to, the amount of capital stock and number of shares issued for the prior year. As under current law, kept by the bill, the co-op must pay \$50 for each such failure. No fiscal impact is anticipated as a result of this provision as it is making clarifying changes to statute.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of new co-ops and the increase in co-op capital stock.