

SENATE BILL REPORT

SB 6130

As Reported By Senate Committee On:
Judiciary, January 22, 2004

Title: An act relating to nonprofit miscellaneous and mutual corporations.

Brief Description: Granting additional rights and powers to nonprofit miscellaneous and mutual corporations.

Sponsors: Senators Esser, Kline and McCaslin.

Brief History:

Committee Activity: Judiciary: 1/21/04, 1/22/04 [DP].

SENATE COMMITTEE ON JUDICIARY

Majority Report: Do pass.

Signed by Senators McCaslin, Chair; Esser, Vice Chair; Brandland, Hargrove, Haugen, Johnson, Kline, Roach and Thibaudeau.

Staff: Jinnah Rose-McFadden (786-7421)

Background: Cooperatives are nonprofit businesses owned by member-customers and organized to render economic services to members, rather than generate corporate profit.

State law regulates the way in which nonprofits and cooperatives are organized and function. In Washington, cooperative organizations and associations may be organized under two distinct chapters of the state code. Chapter 23.86 is exclusive to cooperative associations, while Chapter 24.06 allows a range of nonprofit and mutual benefit organizations, including cooperatives, to be formed thereunder. However, cooperatives that organize under Chapter 24.06 are excluded from many of the benefits offered to cooperatives organized under Chapter 23.86.

Under Chapter 23.86, the individual liability of cooperative members is expressly limited, while members of cooperatives organized under Chapter 24.06 do not have the same protection. Similar discrepancies exist with regard to the naming conventions of cooperatives and the apportionment and distribution of earnings to members. For example, cooperatives organized under Chapter 23.86 may include the words "corporation," "incorporated," or "limited" in their name, while cooperatives organized under Chapter 24.06 may not. Likewise, Chapter 23.86 enumerates specialized authorizations for cooperative distributions, while Chapter 24.06 states only that nonprofit and mutual benefit organizations may distribute earnings to members.

Summary of Bill: Cooperatives organized under Chapter 24.06 prior to the effective date of this act may avail themselves of the additional rights granted to cooperative associations organized under Chapter 23.86. Specifically, cooperatives organized under Chapter 24.06

may elect to: (1) limit individual member liability as authorized under RCW 23.86.105(1); and (2) apportion and distribute earnings to members, as specified in RCW 23.86.160 and 23.86.170. Additionally, consumer cooperatives organized under Chapter 24.06 may elect to use the words "corporation," "incorporated," or "limited" in their names, as authorized under RCW 23.86.030.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is a State Bar request bill, drafted and examined by two State Bar committees before being approved by the Bar's Governing Board. Originally, Washington State had three statutes under which cooperative associations could be organized. In 1989, the Legislature eliminated one of the three statutes. The two remaining statutes were cross-referenced to assure that identical rights and benefits ran to cooperatives organized under each chapter. However, some benefits and rights were overlooked. This bill addresses that issue by allowing cooperatives organized under Chapter 24.06, prior to the effective date of this bill, to share in the same rights and benefits offered to cooperatives organized under 23.86. It is the intent of the bill to clarify that associations seeking to organize as cooperatives in the future, should organize under Chapter 23.86.

Testimony Against: None.

Testified: PRO: John Steel, Washington State Bar Association.