

**Business Structure Comparison**  
**(<http://www.uwcc.wisc.edu/whatisacoop/BusinessStructureComparison/>)**

	<b>Cooperative</b>	<b>Unincorporated Cooperative Association (UCA)</b>	<b>Corporation (C or S)</b>	<b>Limited Liability Company (LLC)</b>	<b>Partnership</b>	<b>Sole Proprietor</b>	<b>NonProfit</b>
<b>Who are the owners?</b>	Members (individuals or entities)**	Members (individuals or entities); may include both patron and investor classes	One or more shareholders (individuals or entities). S Corp limited to 100 shareholders	One or more individuals who are members	At least two individuals or entities	Individual	No ownership
<b>What are membership requirements?</b>	Determined by bylaws. Usually one share/fee. May include other requirements.	Determined by bylaws.	One share of stock, with rights and privileges attached to it determined by the articles of incorporation, bylaws, shareholder agreement, and applicable law.	At discretion of LLC members	At discretion of partners	At discretion of owner	Membership fee may be required to participate.
<b>What is the business purpose?</b>	To meet member needs for goods or services; earn return on member investment	To meet member needs for goods or services; earn return on member investment	To earn a return on owner investment	To earn a return on owner investment; provide employment for members (usually)	To provide employment for partners and a return on partners' investments	To provide employment for owner and a return on owner's investment	To provide services or information
<b>How is the business financed?</b>	Stock/shares to members, and/or outside investors; retained profits	Stock/shares to patron and investor members; retained profits	Sale of stock; retained profits	LLC member investments; retained profits	Partner investments, retained profits	Proprietor's investment; retained profits	Grants, individual contributions/donations, fees for services
<b>Who receives profits?</b>	Members in proportion to use; preferred shareholders in proportion to investment, up to 8%	Patron members in proportion to use; patron and investment members in proportion to investment	Shareholders in proportion to investment	LLC members in proportion to investment, or by agreement	Partners in proportion to investment or by agreement	Proprietor	Retained within the organization
<b>Who pays income taxes on profit?</b>	Members on qualified profit distributions based on patronage*; co-op pays on nonqualified and unallocated profits	Members pay individual rate, or can elect to be taxed as cooperative corporation	C Corp. pays on profits, shareholders pay individual capital gains rates on dividends; S Corp stockholders pay individual rate on profit share and capital gains	LLC members pay individual rate, or can elect to be taxed as a corporation	Partners pay individual rate	Proprietor pays individual rate	Not applicable; tax exempt
<b>What is owner legal liability?</b>	Limited to member's investment	Limited to member's investment	Limited to shareholder's investment	Limited to member's investment	Unlimited for general partners, limited to investment of limited partners	Unlimited for proprietor	ited to assets of the organization

\*Members of personal consumer co-ops do not pay taxes on patronage refunds that follow certain IRS guidelines.

\*\*Preferred stock shareholders may include nonmembers, and may vote on certain issues such as dissolution. As a group, preferred stock shareholders do not set policy; only members can vote for directors.

There may be exceptions to what is summarized here. See state business statutes and/or consult an attorney for further information.

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The legal structure of any business organization defines ownership, control, and earnings distribution. Like other businesses, cooperatives typically incorporate as a legal entity under state statutes, which provide parameters for governance and operation. State statutes are not uniform, however, so specific legal requirements for cooperative structure will vary by state.

The ownership and control of most business structures is related to the level of capital investment. Profits are returned to investor-owners based on the amount of their investment.

In contrast, a cooperative business is owned and democratically controlled by its member patrons. Any profit is distributed to member patrons in proportion to their use, or “patronage,” of the cooperative's services.

In some states, cooperatives are treated as a type of nonprofit corporation, since a cooperative’s primary orientation is to benefit members by providing goods or services at cost. However, this type of nonprofit business is different from organizations incorporated under general nonprofit statutes, which legally have no owners, and must retain any net earnings within the organization. Nonprofit cooperative business statutes provide for member patron ownership, member voting rights for boards of directors, profit distributions to members, and member rights to assets sold if the cooperative should dissolve.