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SENATE FILE 2153
BY BANKS

Passed Senate, Date ^(p. 619) 3-10-94 Passed House, Date ^(p. 1123) 4-5-94
Vote: Ayes 49 Nays 0 Vote: Ayes 93 Nays 0
Approved April 12, 1994

A BILL FOR

1 An Act providing for the distribution of earnings by cooperative
2 associations operating on a pooling basis.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2153

1 Section 1. Section 499.30, Code 1993, is amended to read
2 as follows:

3 499.30 DISTRIBUTION OF EARNINGS.

4 The directors shall annually dispose of the earnings of the
5 association in excess of its operating expenses as follows:

6 1. To provide a reasonable reserve for depreciation,
7 obsolescence, bad debts, or contingent losses or expenses.

8 2. a. To the extent that the cooperative association is
9 operating on a pooling basis, the board of directors of the
10 cooperative association shall determine the portion of the
11 remaining earnings derived from the pool that will be added to
12 the surplus. The cooperative association is operating on a
13 pooling basis, if the association markets, sells, or handles
14 an agricultural product and all of the following apply:

15 (1) The product is a pool composed by commingling units of
16 the same kind of product which are contributed to the
17 cooperative association by its members.

18 (2) The earnings of the association are computed without
19 deducting a charge for products delivered by members of the
20 association who are contributing units to be commingled in the
21 product pool.

22 The board of directors may provide an advance payment to
23 the members of the association contributing units of the
24 product to be commingled in the product pool during the
25 contribution period.

26 b. At To the extent that the cooperative association is
27 not operating on a pooling basis as provided in this
28 subsection, at least ten percent of the remaining earnings
29 must be added to surplus until surplus equals either thirty
30 percent of the total of all capital paid in for stock or
31 memberships, plus all unpaid patronage dividends, plus
32 certificates of indebtedness payable upon liquidation,
33 earnings from nonmember business, and earnings arising from
34 the earnings of other cooperative organizations of which the
35 association is a member, or one thousand dollars, whichever is

1 greater. No additions shall be made to surplus when it
2 exceeds either fifty percent of the total, or one thousand
3 dollars, whichever is greater.

4 3. Not less than one percent nor more than five percent of
5 such earnings in excess of reserves may be placed in an
6 educational fund, to be used as the directors deem suitable
7 for teaching or promoting co-operation.

8 4. After ~~the foregoing~~ to disposing of earnings as
9 provided in subsections 1 and 2, the cooperative association
10 shall pay any fixed dividends on stock or memberships ~~if any.~~

11 5. Notwithstanding ~~the~~ an association's articles of
12 incorporation ~~of any association,~~ for each taxable year of the
13 association ~~beginning after December 31, 1962,~~ the association
14 shall allocate all remaining net earnings ~~shall be allocated~~
15 to the account of each member, including subscribers described
16 in section 499.16, ratably in proportion to the business the
17 member did with the association during that year. The
18 directors shall determine, or the articles of incorporation or
19 bylaws of the association may specify, the percentage or the
20 amount of the allocation that currently shall be paid in cash.
21 However, so long as there are unpaid local deferred patronage
22 dividends of deceased members for prior years, the amount
23 currently payable in cash shall not exceed twenty percent of
24 the allocation. All the remaining allocation not paid in cash
25 shall be transferred to a revolving fund and credited to the
26 members and subscribers. The credits in the revolving fund
27 are referred to in this chapter as deferred patronage
28 dividends.

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EXPLANATION

30 This bill amends section 499.30 which regulates how a
31 cooperative association organized under chapter 499 may
32 distribute its earnings which are excess of its operating
33 expense. After the association provides a reasonable reserve
34 for depreciation, obsolescence, bad debts, or contingent
35 losses or expenses, at least 10 percent of the remaining

1 earnings must be added to surplus. Earnings are not required
2 to be contributed to the surplus after a certain level has
3 been reached, based on the percentage of the total of all
4 capital paid in for stock or memberships, unpaid patronage
5 dividends, certificates of indebtedness payable upon
6 liquidation, earnings from nonmember business, and earnings
7 arising from the earnings of other cooperative organizations
8 of which the association is a member, or \$1,000, whichever is
9 greater.

10 This bill provides that to the extent that the cooperative
11 association is operating on a pooling basis, the cooperative
12 association shall determine the portion of the remaining
13 earnings derived from the pool that will be added to the
14 surplus. According to the bill, a cooperative association is
15 operating on a pooling basis, if the association markets,
16 sells, or handles an agricultural product, the product is a
17 pool composed by commingling units of the same kind of product
18 which are contributed to the cooperative association by its
19 members, and the earnings of the association are computed
20 without deducting a charge for products delivered by members
21 of the association who are contributing units to be commingled
22 in the product pool. The board of directors may provide an
23 advance payment to the members of the association contributing
24 units of the product to be commingled in the product pool
25 during the contribution period.

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SENATE FILE 2153

AN ACT
PROVIDING FOR THE DISTRIBUTION OF EARNINGS BY COOPERATIVE
ASSOCIATIONS OPERATING ON A POOLING BASIS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 499.30, Code 1993, is amended to read
as follows:

499.30 DISTRIBUTION OF EARNINGS.

The directors shall annually dispose of the earnings of the
association in excess of its operating expenses as follows:

1. To provide a reasonable reserve for depreciation,
obsolescence, bad debts, or contingent losses or expenses.

2. a. To the extent that the cooperative association is
operating on a pooling basis, the board of directors of the
cooperative association shall determine the portion of the
remaining earnings derived from the pool that will be added to
the surplus. The cooperative association is operating on a
pooling basis, if the association markets, sells, or handles
an agricultural product and all of the following apply:

(1) The product is a pool composed by commingling units of
the same kind of product which are contributed to the
cooperative association by its members.

(2) The earnings of the association are computed without
deducting a charge for products delivered by members of the
association who are contributing units to be commingled in the
product pool.

The board of directors may provide an advance payment to
the members of the association contributing units of the
product to be commingled in the product pool during the
contribution period.

b. At To the extent that the cooperative association is
not operating on a pooling basis as provided in this
subsection, at least ten percent of the remaining earnings
must be added to surplus until surplus equals either thirty
percent of the total of all capital paid in for stock or
memberships, plus all unpaid patronage dividends, plus
certificates of indebtedness payable upon liquidation,
earnings from nonmember business, and earnings arising from
the earnings of other cooperative organizations of which the
association is a member, or one thousand dollars, whichever is
greater. No additions shall be made to surplus when it
exceeds either fifty percent of the total, or one thousand
dollars, whichever is greater.

3. Not less than one percent nor more than five percent of
such earnings in excess of reserves may be placed in an
educational fund, to be used as the directors deem suitable
for teaching or promoting co-operation.

4. After the foregoing to disposing of earnings as
provided in subsections 1 and 2, the cooperative association
shall pay any fixed dividends on stock or memberships, if any.

5. Notwithstanding the an association's articles of
incorporation of any association, for each taxable year of the
association beginning after December 31, 1962, the association
shall allocate all remaining net earnings shall be allocated
to the account of each member, including subscribers described
in section 499.16, ratably in proportion to the business the
member did with the association during that year. The
directors shall determine, or the articles of incorporation or
bylaws of the association may specify, the percentage or the
amount of the allocation that currently shall be paid in cash.
However, so long as there are unpaid local deferred patronage
dividends of deceased members for prior years, the amount
currently payable in cash shall not exceed twenty percent of
the allocation. All the remaining allocation not paid in cash
shall be transferred to a revolving fund and credited to the

members and subscribers. The credits in the revolving fund are referred to in this chapter as deferred patronage dividends.

LEONARD L. BOSWELL
President of the Senate

HAROLD VAN MAANEN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2153, Seventy-fifth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved April 12, 1994

TERRY E. BRANSTAD
Governor