

FEB 22 2001

Agriculture

HOUSE FILE 372
BY TEIG

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for the reversion of dividends and distributions
2 by certain cooperative associations.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 372

1 Section 1. NEW SECTION. 499.30A REVERSION OF
2 DISTRIBUTIONS.

3 1. As used in this section, "disbursement" means an amount
4 of any dividend, patronage dividend, distribution including
5 earnings distribution, or any other increment or sum realized
6 or accruing from a membership or stock, subscription, or other
7 equity interest in a cooperative association.

8 2. Once a person's membership or stock, subscription, or
9 other member's equity in a cooperative association is deemed
10 abandoned under section 556.5, the cooperative association may
11 retain any disbursement held by the cooperative association
12 for or owing to the person. The cooperative association may
13 also deliver the disbursement to the treasurer of state for
14 disposition as abandoned property pursuant to section 556.5.

15 3. If the cooperative association elects to retain the
16 disbursement under this section, the disbursement shall be
17 deposited into a reversion fund established by the cooperative
18 association.

19 4. a. Subject to this subsection, a person asserting an
20 interest in the disbursement may file a claim for it with the
21 cooperative association in a manner and according to
22 procedures required by the cooperative association. If a
23 person is entitled to an abandoned membership, stock,
24 subscription, or other interest as provided in section 556.20
25 or 556.21, the cooperative association shall also pay the
26 person the disbursement deposited in the reversion fund that
27 is realized or accrued from the membership or stock,
28 subscription, or other interest.

29 b. If a person has not filed a claim for the disbursement
30 within one year after the disbursement has been deposited into
31 the cooperative association's reversion fund, the disbursement
32 shall be forfeited to the cooperative association, unless the
33 cooperative association provides otherwise in its articles of
34 incorporation or bylaws.

35 5. The disbursement deposited into the reversion fund that

1 is forfeited to the cooperative association shall be used as
2 the directors deem suitable for any of the following purposes:

3 a. Teaching and promoting cooperation. The directors may
4 deposit the amounts of disbursements into the education fund
5 as provided in section 499.30.

6 b. Economic development including private or joint public
7 and private investments involving the creation of economic
8 opportunities for its members or the retention of existing
9 sources of income that would otherwise be lost.

10 Sec. 2. Section 556.1, subsection 2, Code 2001, is amended
11 to read as follows:

12 2. "Business association" means a corporation, cooperative
13 association, joint stock company, business trust, investment
14 company, partnership, limited liability company, trust
15 company, mutual fund, or other business entity consisting of
16 one or more persons, whether or not for profit.

17 Sec. 3. Section 556.1, Code 2001, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 2A. "Cooperative association" means an
20 entity which is structured and operated on a cooperative
21 basis, including an association of persons organized under
22 chapter 497, 498, or 499; an entity composed of entities
23 organized under those chapters; a cooperative corporation
24 organized under chapter 501; or any other entity recognized
25 pursuant to 26 U.S.C. § 1381(a) which meets the definitional
26 requirements of an association as provided in 12 U.S.C. §
27 1141(j)(a) or 7 U.S.C. § 291.

28 Sec. 4. Section 556.5, subsection 4, Code 2001, is amended
29 to read as follows:

30 4. At the time an interest is deemed abandoned under this
31 section, the following shall apply:

32 a. Except as provided in paragraph "b", any dividend,
33 distribution, or other sum then held for or owing to the owner
34 as a result of the interest, and not previously deemed
35 abandoned, is deemed abandoned.

1 b. A disbursement held by a cooperative association for or
2 owing to person who is a member or subscriber of the
3 cooperative association shall not be deemed abandoned for
4 purposes of this chapter, if the cooperative association
5 elects to retain the disbursement as provided in section
6 499.30A.

7 EXPLANATION

8 This bill provides for the reversion of dividends and
9 distributions by a cooperative association organized under
10 Code chapter 499.

11 Generally, property that is considered abandoned is turned
12 over to the treasurer of state. This includes any stock,
13 shareholding, or other intangible ownership interests in a
14 business association such as a corporation or cooperative
15 association (Code section 556.5). It also includes any
16 dividend or distribution (e.g., dividends from common stock,
17 patronage dividends, earnings, or other sum accruing from that
18 equity interest). For this type of property, abandonment
19 occurs within three years after the owner has not evidenced a
20 presence. Once property is abandoned it is delivered to the
21 treasurer of state for notice (Code sections 556.12). If
22 unclaimed after a year, the property is generally marketed if
23 necessary and the property or proceeds are forfeited to the
24 general fund of the state (Code sections 556.17 and 556.18).

25 This bill provides that a cooperative association organized
26 under Code chapter 499 may retain the dividend or
27 distribution, referred to as a disbursement. The bill
28 provides that once a person's membership or stock,
29 subscription, or other ownership interest in a cooperative
30 association is deemed abandoned under Code section 556.5, the
31 cooperative association may retain the disbursement held by
32 the cooperative association for or owing to the person. The
33 cooperative association may also deliver the disbursement to
34 the treasurer of state as abandoned property. The bill
35 provides that if the cooperative association elects to retain

1 the disbursement, it must deposit it into a reversion fund.

2 The bill allows a person claiming an interest in the
3 disbursement to file a claim with the cooperative association.

4 It provides that if the person is entitled to membership,
5 stock, subscription, or other ownership interest under Code

6 chapter 556, the person is also entitled to receive the
7 accrued disbursement. However, after one year following

8 deposit, an unclaimed disbursement is forfeited to the

9 cooperative association. The bill provides that the reversion

10 fund must be used for purposes related to education or

11 economic development.

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