

Business Structure Comparison

	Cooperative	Unincorporated Cooperative Association (UCA)	Corporation (C or S)	Limited Liability Company (LLC)	Partnership	Sole Proprietor	NonProfit
Who are the owners?	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
What are membership requirements?	Determined by bylaws. Usually one share/fee per member, which confers member voting rights. Bylaws may include other requirements with other rights attached.	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.
What is the business purpose?	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 shareholder 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
How is the business financed?	Stock/shares to members; preferred stock also to 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
Who receives profits?	Members in proportion to use; preferred shareholders in proportion to investment	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	No distribution; retained within the organization
Who pays income taxes on profit?	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
What is owner legal liability?	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	Limited to assets of the organization

*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.

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

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



Center for Cooperatives
UNIVERSITY OF WISCONSIN-MADISON