

Indivisible Reserves in Worker Co-ops, part 2



CWCF
FCCT

CANADIAN
WORKER
CO-OP
FEDERATION

FÉDÉRATION
CANADIENNE DES
COOPÉRATIVES
DE TRAVAIL

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CWCF's Consultation

CWCF considered 4 possibilities:

- 1) Advocating for mandatory indivisible reserves in worker co-ops.
- 2) Seeking a federal tax change for worker co-ops with indivisible reserves.
- 3) Educating worker co-ops about indivisible reserves.
- 4) No action.

Result of Consultation

- Members chose Option 2 – a tax change, and Option 3 - education.
- Also approached Co-operatives and Mutuels Canada (CMC).
- CMC Decision in June 2021, in response to CWCF's AGM resolution: to advocate for tax changes & other favourable public policy for co-ops with indivisible reserves. See [this link](#).

Rationale

- To recognize the societal contribution made by co-ops which already have an indivisible reserve, and
- To encourage more co-operatives to adopt this approach, and
- To encourage more government support for worker co-operatives.

Additional CWCF Approach

- Worker Co-ops which receive an investment from our Tenacity Works Fund must have an indivisible reserve.

Provision in Articles of Incorporation or Bylaws

- The Co-operative shall credit at least _____% of each annual surplus to an indivisible reserve account. (Often this is 30 – 50%, but it could be any percentage.)
- If the Co-operative is dissolved, or upon its conversion to another business form, its property will be distributed as follows. First, the Co-operative will make payment of all debts and liabilities and all dividends declared and not paid payable, and the purchase for cancellation or redemption of all outstanding shares. The remaining property of the Co-operative will be distributed to a federation of worker co-operatives or another worker co-operative(s), as is identified by a special resolution of the Co-operative. (Alternatively, it's possible to specify the organization to which the indivisible reserve would be distributed.)
- This section can only be changed by unanimous decision of the members.

Indivisible Reserves in your co-op's accounts

- A subset of your reserve will show up as your indivisible reserve.
- You can still make use of this indivisible reserve as working capital in the business.
- Upon dissolution or sale, it's the part of the reserve which cannot be shared among members.
- See this link from DAWI: especially at pp. 21-22.
<https://institute.coop/sites/default/files/resources/Internal-Capital-Accounts.pdf> .

Questions and Discussion

THANK YOU!

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