



## 2018 New York State YMCA

### Youth And Government

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Committee Assignment: Assembly Freedom 2

Bill #:AF-12

**Sponsors:** Owen Hunt, Jake Conger, Cameron Conger, Michael Berger

#### **An Act To**

Amend Section §85 of Article 5A of the New York Cooperative Corporations Law to add a tax reduction for Worker cooperatives.

*The People of the State of New York, represented in the Senate and Assembly do enact as follows:*

#### **Purpose**

To encourage the development of start-up cooperative corporations in New York by providing startups with a tax reduction.

#### **Summary of Provision**

##### Section 1. Definitions

Worker cooperative- A business where worker-members participate in the profits, oversight, and often management of the enterprise using democratic practices.

##### Section 2

##### § 85

a. Applicability of the cooperative corporations law. Except where limited or excluded in this article, all provisions of this chapter shall apply to worker cooperatives. The following sections of the cooperative corporations law shall not apply to worker cooperatives paragraph (e) of section three, section eleven, section twelve, section fifteen, section sixteen, section seventeen, section eighteen, section forty-six, section seventy, section seventy-one, section seventy-two section seventy-four, section seventy-five, section seventy-six and section seventy-seven.

b. Tax Reductions for Worker cooperative: If a startup cooperative corporation meets the above previously stated criteria, and has not been operating for over 10 years, it will fall into one of three tax brackets. The maximum amount of years a

cooperative corporation can receive the following tax breaks is 10 consecutive

c. If a cooperative corporation employs 2-3 full-time personnel, it will receive a 10% gross tax reduction. If a cooperative corporation employs 4-19 full-time personnel, it will receive a 12% gross tax reduction. If a cooperative corporation employs 20 or more full-time personnel, it will receive a 15% tax reduction.



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**Justification**

In modern times, the movement of jobs overseas and the automation of several industries has negatively impacted working standards. One of the primary causes of these detrimental developments is the prioritization of profit over workers' livelihoods. Worker cooperatives offer the best solution to this issue. Worker cooperatives allow employees to vote in a democratic system to decide company affairs and policies. This ensures not only that the staff's needs are considered, but also encourages the invigoration and involvement of their workers. Worker cooperative models are proven in several studies to lead to a rise in working standards, as well as an increase in businesses' resilience in the market. For example, a 2008 study in Quebec showed that co-ops had a five-year survival rate of 62% and a ten-year survival rate of 44%. This is compared to 35% and 20% respectively, for other Quebec businesses based on the traditional model. By utilizing a tiered tax break system, this beneficial and employee-business structure can develop and prosper in New York State.

**Fiscal Implications**

The fiscal implications of this bill include the previously stated tax reductions for startup cooperative corporations.

**Environmental Implications**

There are no environmental implications in this bill.

**Effective Date**

This bill will go into effect one year after its passage.