

## Who us? Going Corporate?

When a group of people try to set up a new coop, one question that comes up is whether or not to incorporate. There are a number of reasons why a group may not want to incorporate, such as not wanting to be “involved with the government”, or not having the time or resources to complete the process. Some households may function as a coop, but are intentionally left “temporary”, and disappear when their members leave.

But other coops have a vision of becoming a home for future members, and to be a part of a broader community. If this is the case for your group, than becoming incorporated may be the single most important step you can take to make sure that this happens. There are different ways that becoming incorporated will impact the growth of your coop.

## Legal Benefits

A corporation shields the individual people starting the coop. Without a corporation, each members can be held accountable for the coop's debt or actions. With a corporation, the coop's debt can't pass through to your pocket. So if the coop hits a rough patch, and doesn't pay the electric bill for a month, the utility company can come after the coop for their money, but they can't come after you. This lets the members of the coop decide on how to best deal with financial matters, rather than having the decision forced on the group by a third party. (The only exception here is taxes.... the IRS can come after the board members for the coops taxes, on the assumption that the board members were responsible for paying those taxes, and might be doing something fishy with the money.)

The other way a coop acts as a shield is in terms of individual liability. The coop could make very negligent decisions and the members who made those decisions would be responsible... for example, deciding not to pay your taxes, or knowingly engaging in housing discrimination. Your members cannot be held personally responsible for decisions that are wrong, but not negligent. A rule of thumb that courts often use is the "reasonable and prudent person" rule. Would a RAPP have researched local and national housing law before deciding to provide housing? Hopefully. Would they have had an inspection of a building done before purchasing? Probably. Would they have psychically known that a specific person was going to turn out to be crazy and violent before letting them move in? Probably not.

## Financial Benefits

If the coop is a corporation, than that corporation is a legal "person". The coop can then build a credit history, and a business history, which you can take advantage of in the future. So if the coop is the name on the lease for your house, and the name on your utilities, etc, the coop will be building the kind of credibility which will help you in getting loans, allowing the coop to buy a property or pursue other goals.



This also helps when things hit a rough spot in your history. If the electric bill is in Susan's name, and Susan becomes angry at the coop and leaves, it a difficult problem for the coop to get this fixed. On the other hand, if the coop has problems and people all move out or stop paying rent, Susan is on the hook for the utilities, which is a bad place to be. By having the coop as a whole be the name on these bills, it allows the members of the coop to share equal responsibility. Since the coop will only be taking actions as a result of a democratic process, being incorporated makes sure that the way you operate is consistent with your intentions as a community.

## Psychological Benefits

This category looks the least impressive on paper, but for many coopers, it can have the biggest effect on the organizing process.

For the members and prospective members, it helps to be able to say exactly what they are getting into. Having the coop incorporated means that policies and bylaws get set up, and everyone can give input on them while they are being created. Everyone will also know what they say (or at least have the chance to look). This also means that you have something concrete to show to potential members to get them to feel more comfortable that the coop is a real thing that they can be a part of.

But the psychology can point both ways. If you are talking to neighborhood associations, to the city, to banks, to foundations that might loan you money, or to anyone else you hope to get help, advice, or support from, having a corporation goes a long way towards showing that you are serious. This argument is a little like having a degree... it does NOT mean that you are better at, say, art than someone who does not have the degree. It does mean that you are serious about showing your commitment, and that you successfully navigated the process of getting incorporated. Many of the communication skills, connections, and relationships your members will develop over the course of incorporating will be useful to the members once the coop starts writing business plans, proposals, budgets, and other documents you may be required to show in future situations.

## Experience for Your Members

Lastly, incorporating, as mentioned above, gives you some great experience. Most groups who go through this process together get to discuss what their policies are BEFORE they move into the coop, giving them a head start on resolving the issues that will come up. You will also get the chance to talk to the state, to legally knowledgeable advisors, and to folks with connections in your community as you try to figure this out. And yes, you will have to deal with complex bureaucracies whether or not you incorporate, but having gone through the process will serve as a really useful primer for what you will have to face once you start the coop.