

Administrative Rule 600.93-7

Patronage Dividends

Patronage dividends received by controlling shareholders of a cooperative are not allowed deductions for purposes of Business License and Business Income Tax Laws.

Patronage dividends are a pre-tax distribution to the owners of a non-exempt entity as an enticement to encourage and reward owner patronage of the entity. Since these distributions are determined to arrive at net income and distributed to the owners as a reward for patronage based upon each owner's use of the cooperative, patronage dividends are compensation or interest paid to an owner. These distributions are subject to the owners compensation add back, controlling shareholder rule, and compensation allowance under Business License and Business Income Tax Laws.

Adopted: 11/23/93

(PCC 7.02.600 C / MCC 5.60.600 C)