

IOWA LAW REVIEW

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NOTES AND LEGISLATION

THE FUTURE ROLE OF FARM COOPERATIVES IN IOWA

A recent change in the federal and state income tax treatment of farm cooperatives raises a serious question whether the farm cooperatives presently organized in Iowa will be able to continue efficient and "profitable"¹ operation. The problem stated very simply is whether a farm cooperative organized pursuant to Chapter 499 of the Code of Iowa² can operate within the basic mandates of that statute and still continue to receive preferential treatment under federal income tax

¹ In a true economic sense a cooperative cannot make a profit since any funds in the hands of the cooperative belong to the patrons. Here the term "profitable" is used to denote funds remaining for distribution after the payment of the operating expenses.

² There are three Iowa Code Chapters presently in force which concern farm cooperatives: These are c. 497 (1950), c. 498 (1950), and c. 499 (1950), but since July 4, 1935, all cooperatives in Iowa must be organized under Chapter 499.