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*Legislative District 43*  
Baltimore City and Baltimore County

Committee on Education, Energy,  
and Environment

*Subcommittees*

Chair, Education  
Environment

*Joint Committees*

Chair, on Administrative, Executive,  
and Legislative Review

The Chesapeake and Atlantic Coastal  
Bays Critical Areas



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**SB85: Corporations and Associations - Limited Worker Cooperative Associations -  
Authorization (Maryland Limited Cooperative Association Act)**

*Testimony of Senator Mary Washington*

March 26, 2024

Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee,

SB85 will carve out a place in the existing LLC statute to officially recognize worker cooperatives as legitimate businesses that can incorporate, receive loans, and run their businesses in compliance with state law. If passed, Maryland would join the 30 other states with such laws, including Connecticut, Delaware, Illinois, Massachusetts, New York, North Carolina, and Virginia.

A worker cooperative statute is needed because while we have many cooperatives in our state, they are not technically recognized as cooperatives. Instead, many have had to incorporate as LLCs and, as such, have had to navigate a confusing and cumbersome process to start their businesses. By adding legal parameters to establishing a worker cooperative in Maryland, we can help improve and ease the process for a business that wants to become a cooperative, and we will give these businesses legitimacy and familiarity, making it easier for coops to access loans, work with suppliers, and provide the best experience for their workers.

This bill does not actively promote cooperatives over other business types or provide any special benefits for cooperatives. We are also not allocating any funding to support the development of worker cooperatives. This bill simply creates a standardized, legal structure for worker cooperatives.

After consulting with the Comptroller's office and the Business Law Section of the Maryland Bar Association, we have amended the bill to address concerns regarding the tax treatment of worker cooperatives. As such, the Judicial Proceedings Committee voted unanimously for SB85. These amendments include specifying that worker cooperatives are treated like limited liability companies in terms of taxes, including personal liability and sales tax; naming who in the

worker cooperative is responsible for any tax penalties; and requiring that cooperatives submit a statement that details how the cooperative elects to be taxed (either as a partnership or corporation) and what the specific tax implications are. We also amended the bill to include a provision regarding workers' compensation and made technical changes to refer to all workers as representatives of the cooperative.

We must recognize worker cooperatives for what they are and what they stand for and allow them a place in law. I respectfully request a favorable report on SB85.

In partnership,

A handwritten signature in blue ink, appearing to read "Mary Washington". The signature is fluid and cursive, with the first name "Mary" and the last name "Washington" clearly distinguishable.

Senator Mary Washington  
Maryland 43rd District