

THE CONDOMINIUM AND THE CO-OP COMPARED

THE CO-OP

* A co-op “owner” owns shares in the property owned by the cooperative corporation (personal property) which, with his proprietary lease permits him/her to occupy a specific apartment or unit.

* Because he/she doesn’t own real property, the co-op “owner” may not mortgage his apartment and he/she is not taxed directly for it. The corporation, which owns all the property, may mortgage it and is taxed on it. However, the tenant-shareholder may, using the shares he/she owns and his/her proprietary lease as collateral, obtain a co-op loan.

*Tax benefits that accrue to a co-op corporation flow through it to its shareholders who, if they have them, take tax deductions on their co-op loans, as well.

* As in all corporations, a board of directors make policy decisions and administers the property. The actions of the board of directors and the shareholders are governed by by-laws of the corporation, the proprietary lease (an agreement between the corporation and the shareholder) and the house rules.

THE CONDOMINIUM

* A condo owner owns real property. He/she holds a deed to the unit he/she has purchased plus a fractional interest in the undivided common elements.

* The condo owner owns his/her property and, because it is real property, may mortgage it.

* The condo owner pays his/her real estate taxes and the interest on his/her mortgage directly and deducts them on his/her return.

* Condominiums form associates and elect board of managers (Trustees) to make policy decisions and administer the property. Actions of the board of managers and the unit owners are governed by the declaration of condominium, the by-laws, and the rules and regulations.

This comparison is from “The Co-op and Condo Owner’s handbook” by HRM Communications, Inc.