

Sen. Hansen: Introduces employee ownership reform bill

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Contact: Sen. Hansen
November 15, 2017 608-266-5670

(Madison)—State Senator Dave Hansen announced today that he has introduced legislation aimed at updating and improving Wisconsin’s employee ownership laws. The Employee Ownership Act would create a new model of employee ownership called an Employee Ownership Trust. Although the model has been successful in the United Kingdom for decades, Sen. Hansen’s bill is the first legislation of its kind in the United States.

“While Wisconsin has a good environment for employee-owned businesses, by borrowing on other tried and true experiences we can do more to protect employees and improve the tax benefits for owners looking to sell or transfer their business to their employees,” said Hansen.

Employee ownership as it is defined under current law, formed as Employee Stock Ownership Plans (ESOPs), is a popular tool for encouraging employee ownership. But it has some key flaws that can impact both employees and owners in ways that are not in either of their best interests. For example, currently if an employee-owned business receives a legitimate offer to buy the business the owners are required to sell even if it means the buyer plans to close or liquidate the business resulting in the loss of the employee-owners’ jobs.

“Under an Employee Ownership Trust employee-owners are protected from being bought by a new owner that might liquidate their business by obtaining and holding shares in a trust. Under the bill the trust’s obligation is to promote the financial and nonfinancial interests of all tenured employees.”

The bill also makes it easier for existing owners of businesses to transfer or sell their business to their employees because it is much less expensive and easier for owners to establish compared to existing Employee Stock Ownership Plans. Owners save money in legal and monitoring costs, and capture the tax benefits of the sale or transfer to their employees before they die.

Additionally, the bill provides additional help to owners looking to set up an Employee Ownership Trust by providing tax benefits to Employee Ownership Trusts and establishes an economic development program to provide loans or loan guarantees to finance the transfer of a business to an Employee Ownership Trust.

“Many owners of small businesses are finding it more difficult to retire and keep their small business or farm operating as their kids grow up because they want to go into other jobs or professions. This bill would help them be able to retire knowing their business will continue to flourish under the direction of their workers.”

The bill also creates the Center for Employee Ownership at the University of Wisconsin. The center would serve as a resource for helping business owners learn about and better understand the financial and personal benefits of moving to an Employee Ownership Trust both for their business and their employees. The center would also provide outreach and help connect business owners with professionals who can help them achieve their employee ownership goals.

Hansen said that legislators on both sides of the aisle and in other states are looking to similar legislation as a way to strengthen employee ownership at a time when there is less certainty for business owners and workers.

“This is a bi-partisan issue. Legislators in Congress and other states from both sides of the aisle have introduced similar bills to improve the concept of employee ownership for both the owner and employees. I hope that as my colleagues on both sides of the aisle learn more about the benefits of reforming our existing employee ownership laws that we will see support for this plan grow on both sides of the aisle.”