

Government Support for Broad Based Employee Ownership

Broad based employee ownership is supported by several organizations and government initiatives that can benefit workers and retirees alike. These are not short lived nor recent developments as there are several pieces of long-lasting legislation such as the Employee Retirement Income Security Act (ERISA), that provides retirement and health protections.

There are several agencies and broad pieces of legislation that exist to help businesses and their areas of interest. These agencies and legislation are often overlooked because despite their positive impact on businesses, they aren't advertised for this purpose. One of the most prominent of these is ERISA, a federal law that secures minimum standards for the majority of private pension and health plans, as well as allowing eligible participants to file claims for benefits and breaches of trust contracts. ERISA is part of the Internal Revenue Code (IRC) which also has helpful features like permitting ESOPs or C corporations to repay debt from acquisition with stock dividends.¹ In addition to legislation, organizations like the Small Business Administration and Department of Labor have helpful resources to aid existing and future businesses such as loans and educational resources. Awareness of these resources is a major factor in helping business owners and employees determine how viable an employee ownership structure might be.

There are also more specific acts of legislation that are more explicitly aimed to aid the transition and creation of employee owned businesses. In addition to ERISA, the Main Street Employee Ownership Act (2018) provides useful features. The Act makes employee-owned businesses eligible for Small Business Administration section 7(a) loans and makes obtaining loans to help companies execute the financial process to implement employee ownership easier. These costs can exceed \$80,000 which makes such legislation crucial.²

Additionally, there are more recent pieces of legislation that have been passed, introduced, or are in discussion for being proposed that can be helpful for ESOPs. Some of these are previously active parts of legislation that are no longer in effect, like Section 133 of the Internal Revenue Code which allows lenders to exclude up to 50% of interest income they receive on loans to ESOPs that own more than 50% of a company's shares. This incentivized the loan process for ESOPs and there has been recent legislative discussion to reenact the section.³ The Emergency Economic and Workforce System Resiliency Act was introduced in response to the COVID-19 pandemic and it provides important funding to state and local workforce agencies to support jobs, increased resources for training, and protect against market disruptions.⁴ The Promotion and Expansion of Private Employee Ownership Act of 2021 is a bill that specifically aims to preserve and foster employee ownership. Though these pieces of legislation have

¹ 2022. "[Employee Stock Ownership Plans \(ESOPs\)](#)." Butterfield Schechter LLP Attorneys and Counselors.

² Elizabeth Lechleitner. August 2018. "[Landmark Employee Ownership Act, Signed Into Law Yesterday, Will Amend Lending Landscape for Worker Co-ops](#)." National Cooperative Business Association/Clusa International.

³ Corey Rosen. August 1996. "[Section 133 \(the ESOP Lender Interest Exclusion\) to Be Repealed](#)." National Center for Employee Ownership.

⁴ Anca Voinea. July 2021. "[US co-ops welcome new Emergency Economic Workforce Resiliency Act](#)." Coop News.

only recently been introduced, being aware of their existence as well as other bills like them is helpful in determining optimal timeframes and next steps for companies looking to transition ownership.

Legislation and government organizations can be substantially helpful tools when it comes to implementing broad based employee ownership structures. Knowing the benefits and resources available can increase financial feasibility for owners looking to make an ownership transition as well as aid individuals who want to start an employee owned company from scratch. Recently, the push to support co-ops has only become increasingly present in the political realm, and it's likely we will see more legislation in the coming years. Monitoring for relevant legislation when it passes is an excellent way to aid decision making and subsequent planning for new and existing businesses alike.