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H.551

Introduced by Representative Kitzmiller of Montpelier

Referred to Committee on

Date:

Subject: Commerce and trade; employee ownership

Statement of purpose of bill as introduced: This bill proposes to expand Vermont’s capital gains tax exclusion for proceeds from a sale to an employee stock ownership plan or worker cooperative and to fund studies to investigate the feasibility of establishing an employee stock ownership plan or convert a business into a worker cooperative.

An act relating to supporting employee ownership of Vermont businesses

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 32 V.S.A. § 5828a is added to read:

§ 5828a. CREDIT FOR SALE TO EMPLOYEE STOCK OWNERSHIP
PLAN OR WORKER COOPERATIVE

(a) As used in this section:

(1) “Employee stock ownership plan” means an employee stock ownership plan as defined in 26 U.S.C. § 4975(e)(7).

(2) “Worker cooperative” means:

1 (A) an eligible worker-owned cooperative as defined in 26 U.S.C.

2 § 1042(c);

3 (B) a worker cooperative organized under 11 V.S.A. chapter 8; or

4 (C) an organization that meets the following criteria:

5 (i) employees of the organization constitute a majority of
6 its membership;

7 (ii) members of the organization hold a majority of the
8 voting power;

9 (iii) members of the organization have the authority to elect a
10 majority of the board of directors on the basis of one person, one vote; and

11 (iv) the organization allocates a majority of its allocated earnings
12 and losses to members on the basis of:

13 (I) patronage;

14 (II) capital contributions; or

15 (III) a combination of (I) and (II).

16 (b)(1) A taxpayer of this State may claim a credit against the tax imposed
17 under section 5822 or 5832 of this title for 50 percent of the net capital gain
18 from the sale or exchange to an employee stock ownership plan or worker
19 cooperative of 30 percent or more of the capital assets of the taxpayer's
20 business.

1 (2) The taxpayer may claim a credit pursuant to this section for the year
2 in which the sale occurred and may carry forward unused credit for the next
3 three years.

4 Sec. 2. EXPANDING EMPLOYEE OWNERSHIP; FEASIBILITY STUDIES
5 FOR EMPLOYEE STOCK OWNERSHIP PLANS AND WORKER
6 COOPERATIVE CONVERSIONS; APPROPRIATION

7 (a) The amount of \$50,000.00 is appropriated from the General Fund to the
8 Agency of Commerce and Community Development in fiscal year 2017 to
9 support feasibility studies for the creation of an employee stock ownership plan
10 or worker cooperative, for up to one-half of the cost of the study, with a
11 maximum of \$25,000.00 per company.

12 (b) On or before January 1, 2018, the Agency shall submit a report to the
13 General Assembly and the Governor detailing the expenditure of sums
14 appropriated pursuant to this section and evaluating the success of the
15 assistance and promotion program.

16 Sec. 3. EFFECTIVE DATE

17 This act shall take effect on July 1, 2016.