

Creating an Ownership Economy in Maine

LD 1520, An Act to Create and Sustain Jobs through Development of Cooperatives and Employee-owned Businesses

- ***Preserve and grow jobs, businesses, farms and affordable housing.***
- ***Attract and retain more Maine workers.***
- ***Strengthen local ownership and control.***
- ***Promote economic and community development.***

Sponsored by: Senator Nathan Libby (D-Lewiston), Representative Matthea Daughtry (D-Brunswick).

Cosponsored by: Senators Dow (R-Lincoln County), Herbig (D-Waldo County) and Moore (R-Washington County), Pouliot (R-Kennebec County); Representatives Bickford (R-Auburn), Hickman (D-Winthrop), Perry (D-Calais), Tuell (R-East Machias).

What would LD 1520 do?

LD 1520 would incentivize the conversion of business assets to cooperative or employee ownership, and reduce the cost of financing the sale. It would:

1. Make the sale of any business, farm, manufactured home park, or rental property exempt from income taxation if sold to a cooperative or employee-owned enterprise, including consumer, producer, resident or worker cooperatives or Employee Stock Ownership Plans (ESOPs).
2. Make interest income earned from financing these conversion transactions tax exempt for sellers and Maine-based lenders.
3. Expand education and training opportunities and technical assistance for business owners and their workers interested in pursuing employee ownership.

Why do we need LD 1520?

- Maine has over 32,000 small businesses with employees, representing half of the jobs in the state. Research shows 79% of business owners want to retire within 10 years and 60% want to retire within 5 years, yet fewer than 15% have a documented exit plan. The smaller and more rural the business, the more likely the business will be liquidated and closed when an owner wants to retire.
- Employee ownership can help stem Maine's "brain drain" and attract and retain more Maine workers. Research shows that young workers in employee owned companies were in a much better financial situation, with 33% higher wages, 92% higher household wealth, and 53% higher job tenure.
- For most business owners, farmers, and rental property and manufactured housing park owners, the value of their business assets are the only retirement savings they have. Selling to employees, consumers or residents can often provide the best chance for an efficient and cost-effective exit.
- Up to 400,000 acres of farmland in Maine will soon change hands, and many farmers over the age of 65 do not have identified successors. Maine farming and food production is enjoying a renaissance with more young farmers, more acres farmed and more diverse and valuable production, but the cost of entry for young farmers is throttling potential growth in this promising sector.
- Maine has over 500 manufactured housing parks that are home to over 10,000 people, many of them young families, seniors and the disabled. These communities can be threatened when sold to investors or developers - lot rents often go up substantially, or worse, residents are forced to move or relocate their homes so the buyer can redevelop the property. In many communities, apartment buildings provide the primary source of affordable housing. In some communities, a lack of investment can lead to deteriorating buildings and infrastructure, while in other communities, development pressures can push residents out.

What would the benefits of LD 1520 be?

- Create an opportunity for more Mainers to gain more wealth and security, and gain a sense of hope and control over their future.
- Promote self-reliance, entrepreneurship, and resilient communities through locally rooted, private sector enterprises.
- Preserve and grow jobs, businesses, affordable housing and farms in communities throughout Maine.
- Help close finance gaps by creating greater room for negotiation over sale price and financing costs.

Where else have ideas like LD 1520 been implemented?

- Over a dozen states have created similar incentives and technical assistance programs to support cooperative and employee ownership.
- Eight states provide tax incentives for the sale of manufactured home parks to a resident-owned cooperative.
- President Ronald Reagan and House Speaker Tip O'Neill were the lead champions of federal legislation called the 1042 Rollover, which can eliminate most capital gains tax on the sale of a business (C Corporations only) to employees and became law in 1984.
- That same 1984 law exempted interest income earned from financing these conversions from tax. Unfortunately, during the recession and federal budget balancing of 1990, this benefit was eliminated.
- Federal legislation to expand the 1042 Rollover to S Corporations and reinstitute the interest income exemption has nearly 100 House sponsors (60 Rs and 40 Ds), and 34 sponsors in the Senate (17 Rs, 15 Ds, 2 Is), including Senators Susan Collins and Angus King.

Support for incentivizing expanded business ownership from across the political spectrum:

"It is time to accelerate economic growth and production and at the same time broaden the ownership of productive capital. The American dream has always been to have a piece of the action."

- **President Ronald Reagan**

"We need to provide assistance to workers who want to purchase their own businesses. Study after study shows that when workers have an ownership stake in the businesses they work for, productivity goes up, absenteeism goes down and employees are much more satisfied with their jobs."

- **Vermont Senator Bernie Sanders**

**Read the full text of LD 1520, An Act to Create and Sustain Jobs through Development of Cooperatives and Employee-owned Businesses, at www.legislature.maine.gov
Learn more about cooperative and employee owned businesses in Maine at www.Maine.coop**