

LD 1338 – Creating an Ownership Economy in Maine

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

Sponsored by: Rep. Grohman of Biddeford. **Cosponsored by:** Senators Cushing of Penobscot and Carpenter of Aroostook; Representatives Ward of Dedham, Casas of Rockport, Chapman of Brooksville, Hickman of Winthrop.

What would LD 1338 do?

LD 1338 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 (ESOP).
2. Make interest income earned from financing these conversion transactions tax exempt for sellers and Maine-based lenders.

Why do we need LD 1338?

- 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.
- Over the next decade, thousands of baby boomer business owners in Maine will look to retire, but surveys show that few of them have concrete succession plans. Nationally, the largest single source of avoidable job loss is from business closings due to owner retirement.
- 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.

Read the full text of LD 1338, 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

What would the benefits of LD 1338 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, for-profit enterprises.
- Preserve and grow jobs, businesses, affordable housing and farms in communities throughout Maine.
- Help business owners to secure their legacy and reward the loyalty of employees or customers.
- Encourage manufactured home park owners or owners of rental properties to help their residents secure affordable homeownership.
- Help close finance gaps by creating greater room for negotiation over sale price and financing costs.

Where else have ideas like LD 1338 been implemented?

- Iowa Governor Terry Branstad campaigned on expanding employee ownership and passed bipartisan legislation to make the sale of any business to employees exempt from taxation. Similar legislative initiatives have been advanced by Democrats and Republicans across the country.
- Eight states provide capital gains exemptions, excise tax exemptions, tax credits and other 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 (through an ESOP or worker cooperative) 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 apply to S Corporations and reinstitute the federal income interest exemption has been introduced, with 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:

"I've long believed one of the mainsprings of our own liberty has been the widespread ownership of property among our people and the expectation that anyone's child, even from the humblest of families, could grow up to own a business... A mightier guarantee of freedom is difficult to imagine. 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 develop new economic models to increase job creation and productivity... 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**