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American Sustainable Business Council 1worker1vote **Testimony**  
for “The U.S. House Small Business Committee hearing  
[“Challenges and Benefits of Employee-owned Small Businesses,”](#)”

Wednesday, February 12, 2020

## OWNERSHIP4ALL

Chairwoman Velasquez, Ranking Member Chabot. The American Sustainable Business Council and 1worker1vote are pleased to submit this joint testimony for your hearing on the [Challenges and Benefits of Employee-owned Small Businesses](#).

We want to thank the House Small Business Committee for taking up the important issue of worker ownership and for seeking to encourage the U.S. Small Business Administration to realize the opportunities of the Main Street Employee Ownership Act of August 2018.

This latest hearing provides Congress, starting with the House Small Business Committee, the opportunity to support and empower hybrid, shared-ownership business models, including social enterprises, member and shared-services cooperatives, worker and union cooperatives, fair trade and triple-bottom-line (people, planet, profit) companies of all sizes and origins across nationwide borders, markets and silos.

ASBC through our “**Ownership4All**” campaign believes that we have an incredible opportunity to move the needle on worker ownership especially after the 2018 passage of the bipartisan [Main Street Employee Ownership Act](#), which ASBC, 1worker1vote and our members and allies helped pass and were publicly recognized by the bill’s congressional sponsors for our efforts. More than a specific jurisdiction, this bill targeted opening up the US SBA to hybrid ownership models for SBA loan access.

To heal the inequities of our economy, metrics show that broad-based, worker ownership social enterprises and ecosystems through shared high road principles and practices are more stable, inclusive, equitable, democratic, and competitive with fewer job losses, especially during downturns

ASBC and the 250,000 triple bottom-line businesses that our network represents are pleased to work with the Committee and all those that want to uplift and scale shared-ownership policies in both state capitals and in Washington, D.C.

The ASBC/1worker1vote “**Ownership4All**” campaign pursues a number of tactical policy goals:

**Tax Policy parity** with ESOPs for hybrid and diverse ownership models including worker and union cooperatives, as well as other emerging, hybrid shared ownership structures (HSOS) in federal laws. There are several models of worker ownership, and this variety contributes to the fragmentation of the law. Tax laws treat cooperatives differently than ESOPs, and S Corp ESOPs are treated differently than C Corp ESOPs. The laws must be changed to make tax treatment more uniform for all worker ownership models so hosting communities and their emerging worker-owners can choose the model and approach best for them.

A first step would be to implement a leveled tax policy playing field offering an S-Corp ESOP-like corporate income tax exemption, and the ability to deduct both interest and principal on a worker cooperative loan. This way, ESOP/employee

ownership successes in wealth creation can be extended to worker coops, union-coops, and other hybrid worker ownership structures. Hybrid worker ownership structures will become the norm, not the exception, as this practice community expands.

**Enabling paths to transition:** The transition to worker ownership requires technical help in the form of business and market assessments, legal assistance in structuring the transition, and training employee purchasers to run the business. On a regional basis, this can be integrated into shared services cooperatives within structures of existing organizations already working closely with ASBI and 1worker1vote (e.g. The Ohio Employee Ownership Center, the Vermont Employee Ownership Center, the Rocky Mountain Employee Ownership Center, Coop Cincy and Coop Dayton). **A shared-services cooperative approach would help lower compliance costs for small businesses.**

**Access to capital:** Many traditional banks don't know enough about worker-owned businesses to feel comfortable lending to them. Legislation can create ways to raise funds, either through changes to tax law or an increase in government loans.

Equalize the EB5 immigrant investor visa \$500,000 benefit to allow worker and union coops and other hybrid shared ownership structures (HSOS) to provide equal visa access to documented and undocumented union coop worker owners by similarly validating the ownership equity value in their enterprises as "skin in the game" entrepreneurial capital, similar to any other investor.

In conclusion: We stand ready to continue to work with the House Small Business Committee, and all members of Congress that want to seize the opportunity to build a more equitable and just economy by advancing worker/employee ownership

Research proves that combining an equity stake with participatory ownership culture (essentially the definition of a worker cooperative) creates better businesses. The basic democratic principle valued in nation-states and shared-ownership models is one-person-one-vote. An equity share is the right to vote and provides the basis for a new power-paradigm-changing culture that builds community wealth and stability, civic-solidarity, self-reliance, and more secure retirements.

#### Background:

1worker1vote, a leader in the development of hybrid worker ownership models and practices, and the American Sustainable Business Council, representing over 250,000 triple bottom-line people/planet/profit business members, launched the "**Ownership4All**" campaign in 2016 that played a recognized background role in the August 2018 bipartisan passage of the Senator Kristen Gillibrand-led "Main Street Employee Ownership Law":

- o [Historic Federal Law Gives Employee-Owned Businesses Access to SBA Loans](#) - Nonprofit Quarterly
- o [ASBC Statements in Support of the Main Street Employee Ownership Act](#) - Common Dreams
- o August 2018 – [Worker ownership in the USA – a new law for #coops and #employeeownership](#) - Ed Mayo is Secretary General of Co-operatives UK

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