

Proposed Legislation Drops Carrot for Employee Ownership – Will America Bite?

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On Tuesday, July 21, 2020, U.S. Senator Ron Johnson (R-Wis.) introduced a bill that would provide an opportunity for any eligible business that creates or expands an employee stock ownership plan (ESOP) to receive a potentially substantial federal grant. The legislation is designed to restore capital to a full spectrum of viable businesses, particularly those that are not publicly traded, allowing them to resume operations while giving the employees of the business an ownership stake.

Amount of Federal Grants

Johnson's bill, the Temporary Federal ESOP Grant Program Act of 2020 ([the "Act"](#)), would allow approved businesses to receive grants equal to:

- \$20,000 per each employee participating in the ESOP, plus
- \$50,000 in costs associated with the creation of the ESOP

This means, for example, that a business with 200 employees who would become participants in the ESOP, could receive a grant of \$4,050,000.

Application Process

The bill provides that in order to take advantage of the program, a business would submit an application along with:

- a completed agreement evidencing the establishment of an ESOP (or showing an increase in the ownership stake of the business by the ESOP),
- supporting documentation for the independent valuation of the business, and
- a certification that the grant funds are used for the purchase of employer securities, which

funds in turn would be put toward business operations – things like capital investment in, or replacement and maintenance of, fixed assets such as manufacturing equipment/tools, computers, land, buildings and other similar investments.

The Act would sunset on Sept. 30, 2022 and funding for the Act would come from unobligated appropriations.

Conclusion

While the bill is in its infancy, if the Act ultimately becomes law, the Act would be a boon for employee ownership in America given the large number of businesses needing assistance and the large number of business owners potentially looking for an exit opportunity.

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