

## **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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National Law Review, Volumess X, Number 204

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