

HOUSE No. 3731

The Commonwealth of Massachusetts

PRESENTED BY:

Paul W. Mark

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act to create and sustain jobs through development of employee-owned businesses and cooperatives.

PETITION OF:

NAME:

DISTRICT/ADDRESS:

Paul W. Mark

2nd Berkshire

Paul Brodeur

32nd Middlesex

HOUSE No. 3731

By Mr. Mark of Peru, a petition (accompanied by bill, House, No. 3731) of Paul W. Mark and Paul Brodeur relative to employee-owned businesses and cooperatives. Revenue.

The Commonwealth of Massachusetts

In the One Hundred and Ninety-First General Court
(2019-2020)

An Act to create and sustain jobs through development of employee-owned businesses and cooperatives.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Paragraph (2) of subsection (a) of section 2 of chapter 62 of the General
2 laws, as appearing in the 2016 Official Edition, is hereby amended by inserting after
3 subparagraph (Q) the following 2 subparagraphs:-

4

5 (R) For taxable years beginning on or after January 1, 2020, to the extent included in
6 federal adjusted gross income and to the extent otherwise subject to taxation pursuant to this
7 chapter, an amount equal to any gain recognized on the sale by the taxpayer of an ownership
8 interest in a qualified business if the business was transferred to:

9

10 (1) An employee stock ownership plan as defined in section 4975(e)(7) of the Code,;

11

12 (2) An S corporation of the commonwealth owned by an employee stock ownership plan;

13

14 (3) An eligible worker-owned cooperative as defined in section 1042(c)(2) of the Code;

15

16 (4) A cooperative corporation organized under chapter 157; or

17

18 (5) If the business provides housing, a cooperative housing corporation organized under
19 chapter 157B.

20 For purposes of this subparagraph, "qualified business" means a business whose
21 securities are not publicly traded on any stock exchange and that is organized in the
22 commonwealth or whose principal place of business is within the commonwealth including a
23 corporation, an S corporation, a limited liability company, a limited liability partnership, a sole
24 proprietorship and all private entities related by common ownership or control.

25

26 (S) For taxable years beginning on or after January 1, 2020, to the extent included in
27 federal adjusted gross income and to the extent otherwise subject to taxation pursuant to this
28 chapter, an amount equal to the interest received during the taxable year by the taxpayer with
29 respect to a qualified business acquisition loan.

30 For purposes of this subparagraph:

31

32 (1) "Qualified business" means a business whose securities are not publicly traded on any
33 stock exchange and that is organized in the commonwealth or whose principal place of business
34 is within the commonwealth including a corporation, an S corporation, a limited liability
35 company, a limited liability partnership, a sole proprietorship and all private entities related by
36 common ownership or control; and

37

38 (2) "Qualified business acquisition loan," including a loan or part of a series of loans,
39 means:

40

41 (a) A loan of which at least 90 per cent of the proceeds are applied to the acquisition of
42 majority ownership of a qualified business not owned by 1 of the following entities and that is
43 given to 1 of the following entities:

44

45 (i) An employee stock ownership plan as defined in section 4975(e)(7) of the Code;

46

47 (ii) An S corporation of the commonwealth owned by an employee stock ownership plan;

48

49 (iii) An eligible worker-owned cooperative as defined in section 1042(c)(2) of the Code;

50

51 (iv) A cooperative corporation organized under chapter 157; or

52

53 (v) If the business provides housing, a cooperative housing corporation organized under
54 chapter 157B;

55

56 (b) A loan to a corporation that sponsors an employee stock ownership plan if all
57 proceeds of the loan are loaned to the employee stock ownership plan to acquire for the plan all
58 outstanding employer securities in a qualified business and the plan's repayment terms are
59 substantially similar to the corporation's repayment terms; or

60

61 (c) A loan used to refinance a qualified business acquisition loan.

62 SECTION 2. Chapter 63 of the General Laws is hereby amended by inserting after
63 section 31N the following 2 sections:-

64

65 Section 31O. (a) In determining the net income subject to taxation under this chapter for
66 taxable years beginning on or after January 1, 2020, a business corporation may deduct, to the
67 extent included in federal adjusted gross income and to the extent otherwise subject to taxation
68 pursuant to this chapter, an amount equal to any gain recognized on the sale by the business
69 corporation of an ownership interest in a qualified business if the business was transferred to:

70

71 (1) An employee stock ownership plan as defined in section 4975(e)(7) of the Code;

72

73 (2) An S corporation of the commonwealth owned by an employee stock ownership plan;

74

75 (3) An eligible worker-owned cooperative as defined in section 1042(c)(2) of the Code;

76

77 (4) A cooperative corporation organized under chapter 157; or

78

79 (5) If the business provides housing, a cooperative housing corporation organized under
80 chapter 157B.

81

82 (b) For purposes of this paragraph, "qualified business" means a business whose
83 securities are not publicly traded on any stock exchange and that is organized in the
84 commonwealth or whose principal place of business is within the commonwealth including a
85 corporation, an S corporation, a limited liability company, a limited liability partnership, a sole
86 proprietorship and all private entities related by common ownership or control.

87

88 Section 31P. (a) In determining the net income subject to taxation under this chapter for
89 taxable years beginning on or after January 1, 2020, a business corporation may deduct, to the
90 extent included in federal adjusted gross income and to the extent otherwise subject to taxation
91 pursuant to this chapter, an amount equal to the interest received during the taxable year by the
92 business corporation with respect to a qualified business acquisition loan.

93 (b) For purposes of this section:

94

95 (1) "Qualified business" means a business whose securities are not publicly traded on any
96 stock exchange and that is organized in the commonwealth or whose principal place of business
97 is within the commonwealth including a corporation, an S corporation, a limited liability
98 company, a limited liability partnership, a sole proprietorship and all private entities related by
99 common ownership or control; and

100

101 (2) "Qualified business acquisition loan," including a loan or part of a series of loans,
102 means:

103

104 (a) A loan of which at least 90% of the proceeds are applied to the acquisition of majority
105 ownership of a qualified business not owned by 1 of the following entities and that is given to 1
106 of the following entities:

107

- 108 (i) An employee stock ownership plan as defined in section 4975(e)(7) of the Code;
- 109
- 110 (ii) An S corporation of the commonwealth owned by an employee stock ownership plan;
- 111
- 112 (iii) An eligible worker-owned cooperative as defined in section 1042(c)(2) of the Code;
- 113
- 114 (iv) A cooperative corporation organized under chapter 157; or
- 115
- 116 (v) If the business provides housing, a cooperative housing corporation organized under
- 117 chapter 157B;
- 118
- 119 (b) A loan to a corporation that sponsors an employee stock ownership plan if all
- 120 proceeds of the loan are loaned to the employee stock ownership plan to acquire for the plan all
- 121 outstanding employer securities in a qualified business and the plan's repayment terms are
- 122 substantially similar to the corporation's repayment terms; or
- 123
- 124 (c) A loan used to refinance a qualified business acquisition loan.