

Testimony by Michael Newsom, CEO, Wheelers Insurance Agency, South Paris, Maine in support of
LD 1276 An Act to Create and Sustain Jobs through Development of Cooperatives and Employee-owned Businesses
Before the Committee on Taxation: Thursday, April 13, 2023

Senator Grohoski, Representative Perry, and members of the Committee, my name is Michael Newsom and I am writing in support of LD 1276 An Act to Create and Sustain Jobs through Development of Cooperatives and Employee-owned Businesses.

Wheelers Insurance Agency was founded by my great-great-grandfather, William Jordan Wheeler and has been a family business since 1864 years. The peaceful and orderly transition of ownership from one generation to the next is a key issue for small business owners like myself. I started thinking about this issue of perpetuation the moment I became the owner in 2009.

When I was a kid here in the Oxford Hills, there was a vibrant class of business owners in our community. Machine shops. Wood products. Manufacturing. With owners living in our community with us. They had roots with us, and they were concerned not just with Profits but with what we call Quality of Life. They're pretty much all gone. Now we have wage stagnation, absentee ownership, and a degraded quality of life.

As a fifth generation owner of this business, I am as much a steward of the family legacy as I am the owner of a corporation. Of course, we have sought to make money. But also to provide sustainable employment and to provide a sustainable service to our community's members. In a phrase, to create value, not just make money.

As a small business owner, the market value of my business is my "retirement fund." Currently, in our industry, we are seeing a huge influx of venture capital coming into the mergers & acquisitions space, buying agencies, driving up the sale prices, just as banks did in the 1990's and 2000's. Let's be clear: their goal is profit seeking. They care not a whit about our community or our employees. But when the time comes to sell my agency, they will offer me the highest price. If we sell to them, I expect they will lay off some employees, eliminate our pro-family workplace culture, and maximize the profits to be had.

To avoid this dreary future, I could consider selling the business to my employees. They'll preserve our culture as a business, they'll be its best stewards (since its success will mean their success), and they'll make investments in themselves as owners and in the community as a whole. But how much of a discount will I have to give the employees to ensure that they can run the business profitably? Remember, this is my "retirement fund."

So what this bill does, in a nutshell, is help close the gap between the maximum value of the agency and the discounted value I would offer for internal perpetuation of the company. By eliminating the state tax burden on this sale of the business, you've made it more possible for the employees to be able to afford to purchase the business, which should preserve jobs, local ownership and culture, while at the same time permitting me to ensure my own financial security in retirement. I call that a Win-Win.



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