



Cameron Reny
Senator, District 13

THE MAINE SENATE
131st Legislature

3 State House Station
Augusta, Maine 04333

Testimony of Senator Cameron Reny
Introducing LD 1276, “An Act to Create and Sustain Jobs and Affordable Housing
Through the Development of Cooperatives and Employee-owned Businesses”
Joint Standing Committee on Taxation
April 13, 2023

Senator Grohoski, Representative Perry, and honorable members of the Joint Standing Committee On Taxation, I am Senator Cameron Reny, and I represent Senate District 13, which includes most of Lincoln County and the towns of Washington and Windsor. Today, I am presenting LD 1276, “An Act to Create and Sustain Jobs and Affordable Housing Through the Development of Cooperatives and Employee-owned Businesses.”

This is a bill that could have far-reaching effects on the future of Maine's economy, job market, and housing landscape. This legislation seeks to address key challenges facing our state today, like preserving and growing jobs, businesses, farms, and affordable housing; attracting and retaining young Maine workers; strengthening local ownership and control; and promoting economic and community development.

Many small businesses in Maine face uncertain futures. As business owners approach retirement, some still need help creating a clear plan for the future of their businesses. Employee ownership offers one potential solution, allowing business owners to sell their businesses to trusted employees who want to carry on the legacy.

Employee ownership not only helps prevent business closures, but it also retains jobs and keeps our young workers employed here at home, combating Maine's "brain drain." In employee-owned companies, young workers often enjoy higher wages, greater household wealth, and longer job tenure, making our state more attractive to this vital demographic.

Affordable housing is another pressing issue in Maine. With numerous manufactured housing parks home to many residents, including young families, seniors, and people with disabilities, preserving affordability is crucial. LD 1276 helps protect these communities by incentivizing sales to resident-owned cooperatives, which can prevent sharp rent increases or redevelopment when large, out-of-state companies buy these parks. The very first housing park co-op in Maine, Medomak Mobile Home Cooperative, is in my district. Here is a direct quote from a resident: “The corporate people didn’t care if people were fighting...All they cared about was collecting rent. Here, we care about everybody. Everybody owns this now. People take care of what they own...That’s what this is all about.”



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In addition to supporting our seniors and preserving affordable housing, this legislation aids farmers and the agricultural industry. Similar to some small business owners retiring with no clear plans for the ownership of their business, the same is true for our farmers. Promoting cooperative or employee ownership can help ensure the continuity of Maine's agricultural heritage.

So what does this bill actually do? LD 1276 seeks to address these issues by incentivizing the conversion of business assets to cooperative or employee ownership, reducing the cost of financing these transactions, and providing education, training, and technical assistance to support this transition. The bill would accomplish this through the following four key provisions:

First, to encourage the transfer of businesses to employee-owned models, LD 1276 excludes from Maine income tax any gains, up to a maximum of \$750,000, earned by a business owner or landlord when transferring their business or multi-unit housing to an employee stock ownership plan, eligible worker-owned cooperative, consumer cooperative, affordable housing cooperative, or agriculture producer cooperative.

Second, to incentivize financial institutions to finance these ownership transfers, the bill exempts from Maine income tax any interest earned from loans that finance the transfer of ownership from a business to employee or cooperative ownership.

Third, to provide support and information for businesses during this transition, LD 1276 requires the Department of Economic and Community Development, Office of Business Development, to contract with a nonprofit development organization with relevant expertise. This organization will create and manage the Maine Employee Ownership Center, which will offer assistance programs and resources to businesses transitioning to employee or cooperative ownership. It's important to note here that, beginning in 2024, the federal government plans to award grants to states to expand educational and technical assistance programs related to employee ownership. States that have already set up Employee Ownership Centers, like this bill would do, will be the first to receive these federal grants.

And lastly, the bill outlines specific performance measures that the Office of Program Evaluation and Government Accountability, the Government Oversight Committee, and the Taxation Committee must consider when developing evaluation parameters for reviewing the deductions provided under this legislation. This provides a clear path for oversight of this program and a thorough assessment of the bill's effectiveness in promoting employee-owned businesses and cooperatives.



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This bill was close to passing once before. In the 129th Legislature, there was a similar proposal, LD 1520, which aimed to accomplish the same objectives as LD 1276. That bill received unanimous, bipartisan support from this committee, bipartisan support in the senate and the house, but died due to the COVID-19 pandemic causing an early adjournment. Now, with LD 1276, we have an opportunity to build on the enthusiasm and momentum created by LD 1520, finally pass this bill, and continue working towards strengthening Maine's economy and communities through supporting employee-owned businesses and cooperatives.

In conclusion, LD 1276 is a vital step towards securing Maine's economic future, protecting our communities, and fostering a more vibrant, resilient state. By incentivizing cooperative and employee ownership, we can create jobs, preserve affordable housing, and support seniors, farmers, and young workers alike.

Thank you for your time and consideration. I'm happy to answer any questions you may have.

Sincerely,

A handwritten signature in black ink that reads "Cameron Reny".

Cameron Reny
State Senator, District 13
Representing Lincoln County and the towns of Washington and Windsor

Creating an Ownership Economy in Maine

LD 1276, An Act to Create and Sustain Jobs and Affordable Housing through Development of Cooperatives and Employee-owned Businesses

Sponsored by: Senator Cameron Reny (D-Lincoln County)

Co-sponsored by: Senators Daughtery (D-Cumberland County), Poulliot (R-Kennebec County), and Grohoski (D-Hancock County); Representatives Eaton (D-Deer Isle), Hepler (D-Woolwich), Stover (D-Boothbay).

- ***Preserve and grow jobs, businesses, farms and affordable housing.***
- ***Attract and retain more young Maine workers.***
- ***Strengthen local ownership and control.***
- ***Promote economic and community development.***

What would LD 1276 do?

LD 1276 would incentivize the conversion of business assets to cooperative or employee ownership, and reduce the cost of financing the sale. It would:

1. Make the sale of any business, farm, manufactured home community, or rental property exempt from income taxation if sold to a cooperative or employee-owned enterprise, including consumer, producer, resident or worker cooperatives or Employee Stock Ownership Plans (ESOPs).
2. Make interest income earned from financing these transactions tax exempt for sellers and Maine-based lenders.
3. Expand education and training opportunities and technical assistance for business owners and their workers interested in pursuing employee ownership.

Why do we need LD 1276?

- **Strengthen local economies.**

University of Maine School of Business estimated that Maine has 12,790 small businesses, employing 108,000 workers, where the owner wants to retire in the next several years, yet only around 15% have a documented exit plan. The smaller and more rural the business, the more likely the business will be liquidated and closed when an owner retires.

- **Create Maine jobs.**

Employee ownership can help stem Maine's "brain drain" and attract and retain more young workers. Research shows that young workers in employee-owned companies are in much better financial shape, with 33% higher wages, 92% higher household wealth, and 53% higher job tenure.

- **Preserve affordable housing.**

Maine has over 600 manufactured housing parks that are home to over 20,000 people, many of them young families, seniors, and people living with disabilities. Meanwhile, in many communities apartment buildings provide a primary source of affordable housing. The affordability of these communities can be threatened when a property is sold to investors or developers. Rents often go up substantially, or worse, residents are forced to move or relocate their homes so the buyer can redevelop the property. Resident-owned cooperatives preserve affordable housing.

- **Support our seniors.**

For most business owners, farmers, and rental property and manufactured housing community owners, the value of their business assets are the only retirement savings they have. Selling to employees, consumers or residents can often provide the best chance for an efficient and cost-effective exit.

- **Support existing and future farmers.**

Up to 400,000 acres of farmland in Maine will soon change hands, and many farmers over 65 do not have identified successors. Maine farming and food production is enjoying a renaissance, but the cost of entry for young farmers is throttling potential growth in this sector.

Where else have ideas like LD 1276 been implemented?

- Over a dozen states have created similar incentives and technical assistance programs to support cooperative and employee ownership.
- Eight states provide tax incentives for the sale of manufactured home parks to a resident-owned cooperative.
- Since 1984, large C Corporations have been able to benefit from federal tax exemptions when the business is sold to employees as an ESOP or worker cooperative. However, because of the benefit's complexity the vast majority of small Maine businesses can't use it.
- Starting in 2024, the federal government will provide grants to states to expand employee ownership education and technical assistance programs. **States that have established Employee Ownership Centers will be first in line to get these federal grants.**

Support for cooperative and employee ownership from across the political spectrum:

"As they prepare for retirement, many older business owners are concerned about what will happen to the enterprise they created and nurtured with so much time and effort. Employee ownership helps to ensure that the business will continue to thrive with a loyal workforce that is literally invested in its future."

- **Maine Senator Susan Collins**

"We need to provide assistance to workers who want to purchase their own businesses. Study after study shows that when workers have an ownership stake in the businesses they work for, productivity goes up, absenteeism goes down and employees are much more satisfied with their jobs."

- **Vermont Senator Bernie Sanders**

**Read the full text of LD 1276, An Act to Create and Sustain Jobs and Affordable Housing through Development of Cooperatives and Employee-owned Businesses, at www.legislature.maine.gov
Learn more about cooperative and employee-owned businesses in Maine at www.Maine.coop**