



Maryland Center for Employee Ownership

6211 Falls Road, Baltimore, Maryland 21209

Committee: Senate Budget & Taxation

Testimony on: HB 561 “Income Tax - Subtraction Modification - Employee-Owned Businesses”

Position: Support

Hearing Date: February 16, 2022

The Maryland Center for Employee Ownership requests a favorable report for SB 561.

Thank you Mr. Chair and Members of the Committee. My name is Christopher K. Croft. I am the Executive Director of the Maryland Center for Employee-Ownership (MDCEO). I was recently an adjunct professor and research fellow of International Studies and Sustainable Communities in the School of Public Policy at the University of Baltimore.

With the passage of 2018 federal legislation, [the Main Street Employee Ownership Act](#)¹, I am hopeful we can build upon this framework to make all of Maryland an “Opportunity Zone” through Employee Ownership (EO).

My commitment to employee-ownership is due to my granddaughter and my students. I want them to have the same opportunities that I enjoyed growing up. Many of my past students worried about how they are going to pay their mounting student debt after graduation with today’s meager salaries that often pay less than a living wage.

My Sustainable Communities classes conducted research with case and feasibility studies throughout semester-long courses. Students immersed themselves in learning about local economic and environmental issues. They examined challenges like malnutrition in Baltimore’s “food deserts” with an eye to recommend solutions to the problems. Invariably, at the end of each semester, team papers were turned in with student’s urging the incentivizing and growing of local businesses run and managed by those in our communities - employee owners.

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https://smlr.rutgers.edu/sites/smlr/files/Documents/Faculty-Staff-Docs/3-21-18_main_street_employee_ownership_act_summary_5_copy.pdf

In rural areas of Maryland many people are also struggling to put food on the table, which costs more-and-more, with jobs that pay less-and-less. Something must be done immediately to ground opportunities locally for our citizens. Broad-based employee-ownership is a proven strategy to build teamwork, create assets for workers, retain jobs in our neighborhoods, and build nest eggs for [retirement plans](#)². In fact, a 2019 NCEO study highlighted the impact of EO in struggling communities - showing that employee-ownership in distressed areas is good for employees, their communities, and the firms.

Employee-ownership is also an important tool for business succession planning. Thirty-three percent of Maryland business owners have no exit or succession strategy. Employee ownership is a vital tool to keep jobs and businesses functioning and flourishing in Maryland. According to the Small Business Association, Maryland lost approximately 35,000 jobs due to the permanent closure of businesses with more than 20 employees between 2001 and 2010. With sixty percent of small businesses owned by baby boomers, job losses associated with the generational transition are expected to increase. Employee-ownership is a natural solution to this “Silver Tsunami” of retiring boomers.

Nationally, we can see from the long list of successful employee-owned businesses, that it is not only possible, but it can work for everyone while promoting localism, self-reliance, and pride. Further, In states such as in Wisconsin, where introduction of similar legislation has occurred, fiscal analysis has shown revenue neutrality.

In conclusion, my students' reports usually reflected that much of our community's problems are exacerbated by the lack of employment opportunities. SB 561 is an important step in halting the loss of businesses in Maryland, and will provide benefits for our communities by allowing business owners' legacies to live on after them in the form of living wage opportunities, while giving Maryland businesses a competitive advantage over neighboring states in the Chesapeake region.

The [National Center for Employee Ownership](#)³ has a considerable amount of information on the [largest employee-owned businesses in the US](#)⁴ and the facts about how [employee-owned companies out compete traditional businesses](#)⁵. I urge you to explore their website and learn more about employee ownership in America today.

I have personally committed my time and efforts to promoting Employee Ownership in Maryland. My organization, MDCEO, supports SB 561 and strives to make all of Maryland an “Opportunity Zone.” through Employee Ownership. I urge this Committee to do the same.

² <https://www.nceo.org/articles/esops-too-risky-be-good-retirement-plans>

³ <https://www.nceo.org/>

⁴ <https://www.nceo.org/articles/employee-ownership-100>

⁵ <https://medium.com/fifty-by-fifty/stocks-from-employee-owned-companies-outperform-s-p-ac375706124b>