

HOUSE COMMITTEE OF REFERENCE REPORT

Chair of Committee

February 19, 2025
Date

Committee on Business Affairs & Labor.

After consideration on the merits, the Committee recommends the following:

HB25-1021 be amended as follows, and as so amended, be referred to the Committee on Finance with favorable recommendation:

- 1 Amend printed bill, page 3, line 5, strike "SECTION," and substitute
- 2 "SUBSECTION (4)(dd),".

- 3 Page 3, strike lines 17 through 20.

- 4 Reletter succeeding sub-subparagraph accordingly.

- 5 Page 5, line 1, strike "SECTION," and substitute "SUBSECTION (3)(s),".

- 6 Page 5, strike lines 13 through 16.

- 7 Reletter succeeding sub-subparagraph accordingly.

- 8 Page 6, line 17, strike "SECTION," and substitute "SUBSECTION (3)(t),".

- 9 Page 7, line 17, after "(1)(a)(III)," add "(2)(a)(II)," and after "(2)(j)(II),"
- 10 add "(2)(j)(III),".

- 11 Page 7, line 19, after "(14);" insert "**repeal** (2)(j)(I);".

- 12 Page 8, after line 6 insert:

13 "(a) (II) The office shall develop guidelines that clarify the types
14 of employee ownership grants that qualify as an alternate equity structure.
15 THE OFFICE MAY DEVELOP GUIDELINES THAT ADJUST THE PERCENTAGES
16 SET FORTH IN SUBSECTION (2)(a)(I) OF THIS SECTION; EXCEPT THAT THE
17 PERCENTAGES SHALL NOT BE ADJUSTED TO AN AMOUNT LESS THAN
18 TWENTY PERCENT. The office may periodically update any guidelines
19 issued pursuant to this subsection (2)(a)(II).".

1 Page 8, after line 22 insert:

2 "(I) ~~Is owned in whole or in part by an employee ownership~~
3 ~~trust;~~".

4 Page 8, line 23, strike "state." and substitute "state;".

5 Page 9, after line 1 insert:

6 "(III) (A) IS OWNED IN WHOLE OR IN PART BY AN EMPLOYEE
7 OWNERSHIP TRUST;
8 (B) Has an employee stock ownership plan;
9 (C) Is in whole or in part a worker-owned cooperative; or
10 (D) Has an alternate equity structure; and".

11 Page 9, line 4, after "CODE" insert "OR A TAXPAYER SUBJECT TO TAX
12 UNDER THIS ARTICLE 22, INCLUDING A C CORPORATION, S CORPORATION,
13 LIMITED LIABILITY COMPANY, PARTNERSHIP, LIMITED LIABILITY
14 PARTNERSHIP, SOLE PROPRIETORSHIP, OR OTHER SIMILAR PASS-THROUGH
15 ENTITY".

16 Page 9, line 9, after "CONVERSION" insert "TO" and strike "TO" and
17 substitute "OF".

18 Page 9, line 11, after "THREE" insert "EITHER".

19 Page 9, strike lines 12 and 13 and substitute "THAT HAVE THE INTENT OF
20 CONVERTING TO QUALIFIED EMPLOYEE-OWNED BUSINESSES OR QUALIFIED
21 EMPLOYEE-OWNED BUSINESSES THAT HAVE THE INTENT OF EXPANDING;".

22 Page 9, line 18, after "(k.5)" insert "(I)" and strike "MEANS" and substitute
23 "MEANS, SUBJECT TO GUIDELINES DEVELOPED BY THE OFFICE PURSUANT
24 TO SUBSECTION (5)(a) OF THIS SECTION,".

25 Page 9, strike lines 20 through 23 and substitute:

26 "(A) STAFF SALARIES AND BENEFITS FOR STAFF INVOLVED IN
27 BUSINESS DEVELOPMENT, MARKETING, AND OUTREACH;".

28 Page 9, line 24, strike "(II)" and substitute "(B)".

29 Page 9, line 26, strike "EMPLOYEE-OWNERSHIP;" and substitute

- 1 "EMPLOYEE-OWNERSHIP AND SIMILAR COSTS;".
- 2 Page 9, strike line 27.
- 3 Page 10, strike lines 1 and 2 and substitute:
- 4 "(C) A PROPORTIONAL AMOUNT OF BASIC ORGANIZATIONAL
5 OVERHEAD COSTS INCLUDING GENERAL OR ADMINISTRATIVE COSTS,
6 EXPENSES, RENT, AND FACILITIES COSTS.
7 (II) "SUPPORT COSTS" DOES NOT INCLUDE ANY COSTS THAT ARE
8 CONVERSION COSTS."
- 9 Page 11, line 12, strike "OR THE EXPANSION".
- 10 Page 11, line 13, strike "BUSINESSES." and substitute "BUSINESSES OR THE
11 EXPANSION OF QUALIFIED EMPLOYEE-OWNED BUSINESSES."
- 12 Page 12, line 19, strike "BUSINESSES," and substitute "BUSINESSES OR
13 QUALIFIED EMPLOYEE-OWNED BUSINESSES,".
- 14 Page 12, line 21, after the second "BUSINESS" insert "OR EXPANSION OF A
15 QUALIFIED EMPLOYEE-OWNED BUSINESS".
- 16 Page 12, line 23, strike "CONVERSION," and substitute "CONVERSION OR
17 EXPANSION," and after "BUSINESSES" insert "OR QUALIFIED
18 EMPLOYEE-OWNED BUSINESSES".
- 19 Page 12, line 25, strike "EXPAND TO QUALIFIED EMPLOYEE-OWNED
20 BUSINESSES" and substitute "EXPAND, AS APPLICABLE,".
- 21 Page 13, line 12, after the first "business" insert "OR, IF APPLICABLE, THE
22 NONPROFIT ORGANIZATION".
- 23 Page 13, line 16, after the second "business" insert "OR, IF APPLICABLE,
24 THE NONPROFIT ORGANIZATION".
- 25 Page 14, line 23, after "THAT" insert "IS AN ORGANIZATION EXEMPT FROM
26 TAXATION UNDER SECTION 501 (c)(3) OF THE INTERNAL REVENUE CODE
27 AND THAT".
- 28 Page 15, strike line 10 and substitute "(2)(a) introductory portion,
29 (2)(d)(II), (2)(d)(III), and (2)(f); and **repeal** (2)(d)(I) as follows:".

1 Page 15, after line 15 insert:

2 "(a) "Alternate equity structure" means a mechanism under which
3 an employer grants to employees a form of employee ownership,
4 including but not limited to an employee stock purchase plan, LLC
5 membership, phantom stock, profit interest, restricted stock, stock
6 appreciation right, stock option, or synthetic equity. The office may
7 develop guidelines that clarify the types of employee ownership grants
8 that qualify as an alternate equity structure. THE OFFICE MAY DEVELOP
9 GUIDELINES THAT ADJUST THE PERCENTAGES SET FORTH IN THIS
10 SUBSECTION (2)(a); EXCEPT THAT THE PERCENTAGES SHALL NOT BE
11 ADJUSTED TO AN AMOUNT LESS THAN TWENTY PERCENT. An alternate
12 equity structure must at a minimum:".

13 Page 15, after line 19 insert:

14 ~~"(I) Is owned in whole or in part by an employee ownership trust;~~
15 (II) (A) IS OWNED IN WHOLE OR IN PART BY AN EMPLOYEE
16 OWNERSHIP TRUST;
17 (B) Has an employee stock ownership plan;
18 (C) Is beneficially owned in whole or in part by a worker-owned
19 cooperative; or
20 (D) Has an alternate equity structure; and".

21 Strike "A QUALIFIED TAXPAYER" and substitute "AN OWNER" on: **Page 3**,
22 line 3; and **Page 4**, line 26.

23 After "A" insert "BUSINESS OR A" on: **Page 12**, line 15; and **Page 13**, line
24 6.

25 After the second "THE" insert "BUSINESS OR THE" on: **Page 12**, lines 18
26 and 23.

27 After "THE" insert "BUSINESS OR THE" on: **Page 12**, lines 19 and 22.

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