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Committee: Budget and Taxation

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

Position: Support

Hearing Date: Feb 16, 2022

The Maryland Chapter of the Sierra Club requests a favorable report for SB 561, which allows for a 100% state capital gains tax exemption to owners who transfer their businesses to employee ownership.

Employee-owned enterprises tend to be greener, as well as more socially and economically just, because the employee-owners often live in and thus care more about their communities. They may be less likely to use carcinogenic chemicals in the process of production that would endanger themselves or their customers, or pollute their community’s drinking water with toxic substances. They may also be more likely to pay a living wage and keep production in the community, and less likely to lay off employees.

One prominent example is the Evergreen cooperative Initiative in Cleveland, which is catalyzing employee-owned businesses in areas including energy efficiency that provide grassroots economic development in low-income areas of the city.¹ A report by the American Management Association states that employee ownership provides a return on sweat equity, which generally leads to highly motivated workers, and notes that it is not uncommon for employee owners to do things like turning off the lights when leaving the room, and brainstorming on ways to reduce waste.²

Economic justice and environmental justice are intertwined. The poor lack the economic means to fight back against environmental dangers, such as trash incineration and toxic landfills in and near their communities. A 2017 National Center for Employee Ownership study found that “employee ownership has economic benefits across multiple groups of workers, including those without a college education, parents of young children, people of color and single mothers.”³ With sufficient resources to live at a comfortable or normal standard in society, people can begin to address issues affecting public health and the environment in their communities.

For these reasons, we respectfully request a favorable report on this bill.

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¹ <http://www.evgoh.com/e2s/>.

² <https://www.amanet.org/training/articles/how-employee-ownership-benefits-executives-companies-and-employees.aspx>.

³ <https://www.bkd.com/article/2017/08/nceo-releases-groundbreaking-research-employee-ownership-economic-well-being>.