

HOUSE No.

The Commonwealth of Massachusetts

PRESENTED BY:

Christopher J. Worrell and Sean Garballey

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act promoting entrepreneurship through employee ownership.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Christopher J. Worrell</i>	<i>5th Suffolk</i>	<i>1/17/2025</i>

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[Pin Slip]

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Fourth General Court
(2025-2026)**

An Act promoting entrepreneurship through employee ownership.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 23D of the General Laws as appearing in the 2022 Official
2 Edition is hereby amended by adding the following after Section 6:-

3 Section 6A

4 (a) As used in this section, the following words shall have the following meanings unless
5 the context clearly requires otherwise:-

6 “Qualified Business”, an entity that: (i) Has operated a principal place of business in
7 Massachusetts for at least one year (ii) Is a taxpayer subject to Massachusetts tax under relevant
8 tax articles (MGL c. 62B), but not limited to a C corporation, S corporation, limited liability
9 company, partnership, limited liability partnership, or a sole proprietorship (iii) Is a privately
10 held business (iv) Has at least three workers not including the owner, or other similar pass-
11 through entity (v) Meets the relevant size standards for a small business by industry, as set forth
12 by the U.S. Small Business Administration in 13 CFR 121.201 (vi) Is not a medium or large

13 business as defined by the US Small Business Administration (vii) Is not a publicly traded
14 company

15 “Owner”, The owner(s) of a Qualified Business prior to a Qualified Business Sale

16 “Qualified Employee Group” (QEG), A group containing at least a simple majority of
17 full-time and/or part-time workers at the Qualified Business, totaling a minimum of three, at the
18 point of formal notice of business sale by the Owner to workers

19 “Employee Owned Business”, (i) An employee cooperative corporation organized under
20 Chapter 157A of the Massachusetts General Laws, or (ii) A Limited Liability Company (LLC) or
21 Limited Liability Partnership (LLP), in either case, whose bylaws, operating agreement or
22 partnership agreement, as applicable, meets the following requirements: (A) All persons who
23 meet the definition of employee owner (“worker owner”) according to the bylaws, operating
24 agreement or partnership agreement of the business are voting members of the company, and
25 have equal voting rights in all decisions brought before the membership, and (B) any profits
26 distributed to said worker-owners by the company are distributed on the basis of their patronage
27 in the company, with patronage measured based on the labor supplied to the company.

28 “Qualified Business Sale”, Any transaction between the Owner of a Qualified Business
29 and a QEG that concludes in the Qualified Business becoming an Employee Owned Business or
30 at least a 51% increment of total ownership of the Qualified Business being transferred to an
31 Employee Owned Business. Such transaction shall not include transfers by inheritance, nor
32 transfers or sales to immediate family, defined as siblings, spouses and/or children.

33 (b) (i) In the event the Owner of a Qualified Business decides to sell such Qualified
34 Business or at least a 51% increment of total ownership of such Qualified Business in an equity

35 sale, they must notify all current full-time and part-time workers at the business within seven
36 days of the decision in a dated written notice as specified below. Such notice must be posted on
37 the date listed in the notice in a prominent location to which all workers have access, or if no
38 such place exists, via an existing electronic medium used to communicate with workers. Such
39 notice must communicate: (A) Date of the notice (B) The Owner's intent to sell the business (C)
40 Contact information for the Massachusetts Center for Employee Ownership (MassCEO),
41 including the MassCEO website, specifying MassCEO as a resource to assist workers
42 considering buying the business (D) Any price the Owner of the Qualified Business proposes for
43 the business sale.

44 (ii) In the event a QEG does not purchase 100% of total ownership of the Qualified
45 Business, such as where Owners or other parties retain or purchase a stake in the business, the
46 provisions of this section shall apply only if the QEG holds the sole voting rights and decision-
47 making power in the resulting business. Sales of the Qualified Business that include agreements
48 infringing on this requirement for democratic governance by worker-owners shall nullify the
49 benefits to the Owner from this section.

50 (iii) Any group of workers that is eligible to form a QEG has 30 days from the date the
51 Owner's notice was posted or upon the workers' electronic receipt thereof, to signal in writing
52 via registered mail to the Owner their intent to compete to buy the Qualified Business, and list all
53 members of the QEG. The Owner shall immediately make available any financial records
54 necessary for evaluating the health and value of the business, following the signing of a non-
55 disclosure agreement between the Owner and the QEG. If after 30 days no QEG has signaled
56 interest in a purchase, the Owner shall be free to sell the business as they choose.

57 (iv) From the date any QEG signals intent to buy the business, the Owner and the
58 applicable QEG shall have 180 days to have the value of the business assessed by a qualified
59 independent business valuation consultant agreed by the Owner and the QEG, and to reach
60 agreement on a price; or alternatively if a competitive good-faith offer is made by a third party,
61 the QEG shall have the opportunity to match that offer.

62 (v) In the event the Owner and QEG reach a price that is substantially equivalent or
63 superior to all other good-faith offers received on the open market within the 180-day period, the
64 Owner shall be obligated to sell the business to the QEG. However, the highest bid need not be
65 the winning bid, and the Owner may sell to a QEG for reasons other than preferring the highest
66 bid.

67 (vi) In the event of a completed Qualified Business Sale, the Owner shall be exempted
68 from obligation under Chapter 62 Section 4 of the General Laws, to pay the state capital gains
69 tax on any gains from the sale of the Qualified Business under \$1,000,000.00. Any gains from
70 the sale of the Qualified Business over \$1,000,000.00 shall continue to be subject to the relevant
71 capital gains tax. In the event of a partial sale of the Qualified Business to the QEG, this
72 exemption shall apply only to the proportion of the business being sold to the QEG.

73 (vii) All labor union membership or collective bargaining agreements existing prior to a
74 Qualified Business Sale shall continue to be in effect under the new ownership structure.

75 (viii) Upon the completion of a Qualified Business Sale, the resulting business shall not
76 be subject to external governance, decision-making or management influence from non-worker
77 or non-member parties, including non-member shareholders or outside investors. Any contract

78 enabling control of the company by outside investors shall not be in compliance with this
79 section.

80 (ix) In the event that the Owner of a Qualified Business fails to comply with the terms of
81 this Section, the QEG shall have the right to demand a court injunction to stop such improper
82 sale and require compliance with this Section.