



| The ESOP Association

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Retirement Security Legislation Awaiting Introduction, on Fast-Track in U.S. Senate

Long-sought ESOP Provisions Included in Bipartisan Bill
Committee Mark-up and Passage Expected Before End of June

WASHINGTON, DC – New legislation, titled the RISE and SHINE Act (the *Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg Act*), is expected to be introduced into the U.S. Senate with significant provisions that promote ESOPs and require the U.S. Department of Labor to provide long-needed regulatory guidance.

This groundbreaking legislation includes proposals which The ESOP Association and its passionate members have been working on for decades, most recently at TEA's Annual Advocacy Day and National Conference in early May. Should the bill become law, it will be a huge victory for all ESOPs as well as the employee ownership community overall.

"If properly implemented, the ESOP provisions included in this soon to be introduced bill will be a watershed moment for ESOPs and employee ownership in America," said Jim Bonham, President and CEO of The ESOP Association. "Not only will the bill provide for the establishment of a pro-employee ownership office within the Department of Labor with \$50 million of funding over the next five years, but it will require much needed regulatory clarity that the community has sought for decades."

Bonham continued, "For 47 years, the ESOP Community has been seeking clear guidance from the Department of Labor on acceptable standards and procedures to value shares of stock in private companies that are bought by or sold by an ESOP. Such guidance is central to ESOP formation and annual valuation processes. It is also needed to facilitate the fair payment of account balances for retiring ESOP shareholders. This legislation would require the DOL to enter into a formal notice and comment rulemaking under the Administrative Procedures Act on that guidance within 180 days of enactment."

The bipartisan *RISE and SHINE Act*, expected to be [introduced](#) by Senate Health, Education, Labor, and Pensions (HELP) Committee Chair Patty Murray (D-WA) and Ranking Member Richard Burr (R-NC), draws from House-passed legislation, H.R. 2954, the *Securing a Strong Retirement Act*, often called the SECURE Act 2.0. H.R. 2954 enjoyed a strong, bipartisan vote of 414-5 in the House on March 29, 2022.

The *RISE and SHINE Act* focuses on bolstering retirement plan participant communications and improving financial resiliency, as well as several practical changes to improve the retirement system that would protect workers and retirement savers at all stages.

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Specifically for ESOPs this proposed legislation would:

1. Require the U.S. Department of Labor to provide formal guidance on good faith fair market value for shares of a business to be acquired by an employee stock ownership plan (as defined under ERISA section 407(d)(6))
2. Authorize up to \$50 million in grants for increasing the education and awareness of Employee Ownership and to promote employee ownership in states and localities.

“The ESOP community has sought these improvements for a long time, and we’re extraordinarily pleased that they now have bipartisan support as part of an important bill. The employee ownership community is extraordinarily thankful to Senators Murray and Burr for their outstanding leadership and support, as well as Senators Moran and Sanders for their steadfast efforts and contributions as true champions of employee ownership,” Bonham said.

Notably included in the House-passed H.R. 2954/the SECURE Act 2.0 is a provision to allow the existing section 1042 tax deferral to be used by S corporations, though in a limited fashion and not until 2028. The Senate Finance Committee has jurisdiction over this tax matter related to ESOPs and it remains to be seen if that provision will be included in a final legislative package once the Finance Committee adds provisions to the bill under their jurisdiction. The ESOP Association supports preserving or ideally expanding this provision to allow S corporation ESOPs to utilize section 1042.

A section-by-section summary of the RISE and SHINE Act can be found [here](#) and the full text of the bill can be found [here](#).

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About the ESOP Association

The ESOP Association is the largest organization in the world supporting employee-owned companies, the more than 10 million U.S. employees who participate in an ESOP, and the professionals who provide services to them. Headquartered at the International Employee Ownership Center in Washington, DC and operating as a 501(c)6 organization with the affiliated Employee Ownership Foundation, The ESOP Association conducts and funds academic research, provides more than 160 annual conferences and events attended by nearly 15,000 individuals, and advocates on behalf of employee owners and their businesses to federal and state lawmakers.

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