



The ESOP Association Hails Senate Passage of Critical Provisions in Reconciliation Bill

The Senate-passed reconciliation bill in Congress, titled the Inflation Reduction Act (H.R. 5376), includes language promoted by The ESOP Association to protect employee stock ownership plans from new excise taxes on stock repurchases. This provision potentially paves the way for a tremendous financial incentive to form employee stock ownership plans.

James Bonham, President and CEO of The ESOP Association said “Congress has long supported employee ownership as sound public policy for several reasons. The recent Senate-passed reconciliation bill specifically exempts ESOPs from the excise taxes on stock repurchases, which was included at the request of The ESOP Association. Should this reconciliation bill be signed into law, a significant new tax incentive for ESOP formation and employee ownership will have been included. We are grateful for the continued support of ESOP champions in the Congress on both sides of the aisle who remain committed to seeing employee ownership thrive in America.”

Late last week an agreement was struck among Senate Democrats on a \$700 billion reconciliation bill, which is a scaled back version of the previous “Build Back Better Act”. That bill passed the Senate yesterday and is expected to be considered by the House later this week.

As part of that agreement, Senator Krysten Sinema of Arizona sought some tax provisions that had been previously considered by the House of Representatives when it considered similar legislation. One of those provisions was a new excise tax imposed on stock repurchases made by businesses, but especially publicly traded companies and C corporations. In recent years, many large businesses have used stock repurchases to lower tax liability (lowering taxable income while also boosting share value). When the bill was considered by the House last year, The ESOP Association worked successfully to ensure an exemption from this new excise tax for stock being purchased by an ESOP, since stock repurchase is critical to the function of an ESOP.

As the inclusion of the stock repurchase provision was renewed by Senator Sinema, The ESOP Association again worked to ensure this critical exemption secured in the House was included in the new Senate version. Based on TEA’s efforts, the Senate has included this exemption. The bill is expected to be signed into law following House passage later this week.

The consequence of this provision is potentially very significant for ESOPs. Once signed into law, the only way a corporation could avoid paying this new excise tax on stock repurchase is through an ESOP or KSOP. A publicly traded company seeking to repurchase shares can avoid the excise tax by doing that transaction through an ESOP – a huge advantage.

###

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©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.

Press Contact:

Greg Facchiano Vice President, Government Relations and Public Affairs

media@esopassociation.org

202-293-2971

The International Employee Ownership Center

200 Massachusetts Avenue, NW • Suite 410 • Washington, D.C. 20001

Phone: (202) 293-2971 • **Fax:** (202) 293-7568 • **E-mail:** esop@esopassociation.org • **Website:** esopassociation.org