
Wisconsin Legislative Council

AMENDMENT MEMO



Memo published: May 19, 2025

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2025 Assembly Bill 17

Assembly Substitute Amendment 1

2025 ASSEMBLY BILL 17

Assembly Bill 17 creates an employee ownership conversion costs tax credit, an income deduction for capital gains generated from the transfer of a business to employee ownership, and an employee ownership education and outreach program within the Department of Revenue (DOR). Very generally, employee ownership conversion is the process of converting a business from a more traditional form of ownership, like a sole proprietorship or private corporation, to an employee ownership form, like an employee stock ownership plan (ESOP) or worker-owned cooperative.

Conversion Costs Tax Credit

First, the bill creates an income tax credit for up to 70 percent of the conversion costs, up to \$100,000, for converting a business to a worker-owned cooperative, and 50 percent of the conversion costs, up to \$100,000, for converting business ownership to an ESOP. To be eligible, the claimant must file an application with DOR and the department must approve the application. The bill defines a claimant as a person that owns an interest in a qualified business prior to its conversion to an ESOP or worker-owned cooperative that files for this tax credit.

The bill also requires DOR to implement a program for approving applications for this tax credit. An applicant is eligible if: (1) the applicant is a business subject to state income tax under ch. 71, Stats.; and (2) the applicant does not have an ESOP and is not, in whole or in part, a worker-owned cooperative. DOR may allocate up to \$5 million in total credits each year, and any unused allocation may be carried forward to the next year.

Capital Gains Deduction

Second, the bill creates an income deduction for capital gains generated by the transfer of business to employee ownership. Specifically, the bill creates an income deduction for the amount of capital gains, as computed under the Internal Revenue Code (IRC), generated by ownership transfer of a business in this state to an ESOP or worker-owned cooperative, to the extent those gains are included in Wisconsin taxable income if not for this deduction. The ESOP or worker-owned cooperative must own more than 50 percent of the business whose transfer results in a capital gain. The capital gains deduction first applies to qualifying transfers in taxable years beginning on January 1, 2025.

DOR Education and Outreach Program

Third, the bill requires DOR to establish and administer an economic development program that provides education and outreach to employees and employers on employee ownership business models. DOR may contract with a third party to operate this program, and must apply with the U.S. Secretary of Labor for a grant under 29 U.S.C. s. 3228 to fund the program within one year of the bill's effective date.

ASSEMBLY SUBSTITUTE AMENDMENT 1

Assembly Substitute Amendment 1 alters requirements and administration of the tax credit, alters some requirements of the capital gains deduction, and only requires DOR to apply for a federal grant for the purpose of an outreach and education program.

Conversion Costs Tax Credit

The amendment proposes an income tax credit for an amount equal to the conversion costs, up to \$100,000, incurred by a claimant for converting more than 50 percent ownership of a qualified business to either a worker-owned cooperative or an ESOP. As opposed to the application process contemplated under the bill, the claimant may claim the tax credit without prior approval, and there is no limit on the maximum amount of credits that may be issued in a given year. Also, under the amendment, a claimant is defined as a person who incurred conversion costs and files a claim for a tax credit.

Capital Gains Deduction

The amendment adds a domicile requirement to the eligibility for the capital gains deduction. Specifically, in order to be eligible, the transferred business must have its commercial domicile, as defined in s. 71.22 (1g), Stats., in Wisconsin. Additionally, the amendment adds that the capital gains eligible for the deduction must be calculated immediately after the transfer.

DOR Education and Outreach Program

The amendment does not require DOR to establish or administer an economic development program. However, it still requires DOR to submit a grant application to the U.S. Secretary of Labor and if awarded the grant, specifies that the department may use the grant money to contract with a third party to administer the program.

BILL HISTORY

Representatives Sortwell offered Assembly Substitute Amendment 1 on May 12, 2025. On May 14, 2025, the Assembly Committee on Ways and Means voted to recommend adoption of Assembly Substitute Amendment 1 and passage of the bill, as amended, all on votes of Ayes, 10; Noes, 0.

For a full history of the bill, visit the Legislature's [bill history page](#).

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