



SHAE SORTWELL

STATE REPRESENTATIVE • 2nd ASSEMBLY DISTRICT

Hearing Testimony
Assembly Committee on Ways and Means
April 17, 2025
Assembly Bill 17

Chairman O'Connor and members of the Assembly Committee on Ways and Means – Thank you for giving me the opportunity to speak on AB 17, which will create a better system in Wisconsin to encourage employee stock ownership plans (ESOPs).

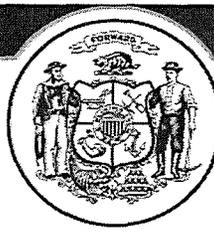
AB 17 creates tax incentives (tax credit and capital gain deduction) for Wisconsin businesses that convert to an employee stock ownership business structure. An ESOP is an employee benefit structure and retirement plan that gives workers ownership interest in the company in the form of shares of stock. Employers often use ESOPs as a finance strategy to align the interests of their employees and shareholders.

ESOPs have been shown to keep jobs local, increase productivity and job security, improve employee retention, and much more. These are great reasons for Wisconsin to encourage and incentivize these structures to benefit our economy and communities. Recently, several blue and red states, including our neighbor, Iowa, have introduced and enacted legislation incentivizing employee ownership, indicating this is a popular, bipartisan policy initiative.

Additionally, in order to access federal grant money, this legislation requires the Department of Revenue (DOR) to establish an outreach and education program to promote ESOPs. DOR is allowed to contract with a third party to operate this program.

Bottom line, this legislation better enables the ownership of Wisconsin companies to stay local rather than be sold to out-of-state or out-of-country buyers.

I appreciate the opportunity to testify on this legislation and would gladly answer any questions the committee may have.



April 15th, 2025

Representative O'Connor, Chair
Representative Kaufert, Vice-Chair
Members of the Assembly Committee on Ways and Means

Testimony on 2025 Assembly Bill 17

Relating to: creating an employee ownership conversion costs tax credit, a deduction for capital gains from the transfer of a business to employee ownership, and an employee ownership education and outreach program. (FE)

Thank you, Chairman O'Connor, and other members of the committee for listening to my testimony today. Now more than ever, Wisconsin benefits from companies keeping jobs here, investing in their communities, and staying locally owned. ESOPs are a strong tool to help achieve these ends.

Employee stock ownership plans, or ESOPs, are retirement plans that give employees shares of their employing company. In addition to helping employees save for retirement, these plans incentivize personal buy-in on the future success of the company. Thanks to this structure, ESOPs are much less likely to lay off employees en masse or move operations out of Wisconsin when it comes time for business succession.

However, it is complicated and expensive for a company to transition to an ESOP. They are subject to heavy federal oversight, leading to costly financial and legal work that can cost hundreds of thousands of dollars. Several states have recently enacted bi-partisan legislation to incentivize these transitions.

Assembly Bill 17 does multiple things to encourage ESOPs in Wisconsin. First and foremost, it creates a nonrefundable tax credit for businesses to claim up to 70% of the costs for converting their business to a worker-owned cooperative or 50% of the costs for converting their business to an employee stock ownership plan, with a maximum of \$100,000.

Secondly, when an employee sells their shares back to the company, AB 17 provides individuals with tax relief on state capital gain taxes. The company also will also receive a deduction on their corporate capital gain taxes.

Finally, AB 17 instructs the DOR establish an outreach and education program promoting ESOPs. The DOR is also directed to apply for federal grant money to fund this program.

This legislation is pro-growth, pro-small business, and pro-Wisconsin. Thank you all again for your consideration of this bill.

Respectfully,

A handwritten signature in black ink, appearing to read 'Jesse James'.

Senator Jesse James
23rd Senate District
Sen.James@legis.wisconsin.gov

Presentation to Legislative Committee: Assembly Bill 17 and Senate Bill 21 Supporting Employee-Owned Cooperatives

Introduction: Good morning. My name is Dr. John Dally, and I am here today to speak in favor of Assembly Bill 17 and Senate Bill 21, which would provide critical support for employee-owned cooperatives in Wisconsin. I'd like to share with you my own personal story and experience with transitioning my small veterinary business into an employee-owned cooperative, and why I believe this model is a vital opportunity for more Wisconsin citizens, particularly in our underserved rural communities.

Background: A little over 20 years ago, a colleague and I started a veterinary practice in the rural town of Spring Green, Wisconsin—a community with a population of around 1,500 people. Over the years, we weathered economic challenges, including the 2008 recession, and were fortunate to see steady growth. In early 2020, we added another small practice in Mazomanie, a nearby community of similar size.

When the COVID-19 pandemic hit, we navigated the difficulties it brought to the veterinary industry. As my partner and I approached our mid-50s, we began thinking seriously about retirement and what the future of our business would look like. We wanted to ensure that our practice would stay in our small communities, continue serving the families and pets we had come to know and love, and provide fair and equitable opportunities for our dedicated employees. But the options available to us seemed limited.

Challenges in the Industry: Historically, veterinary practices like ours were sold to younger associates who could continue operating the business. However, the skyrocketing cost of veterinary education has left many young veterinarians burdened by massive student debt, preventing them from taking on the additional financial responsibility of ownership.

In the last 10-15 years, private equity firms have increasingly stepped in to buy and consolidate what were once privately owned practices. This trend has not been beneficial for the care of patients, for the veterinarians and other veterinary professionals employed by these new entities, or for the local communities that lose out when profits are siphoned away by large corporate interests. Smaller rural practices like ours are especially unattractive to private equity, which prefers large, urban-based operations. This is why we stepped in to purchase the Mazomanie practice in 2020 when the retiring owner could not find a buyer, despite the practice being profitable.

Transition to Employee Ownership: In 2022, with the help of a grant from a pilot program through the Wisconsin Economic Development Corporation (WEDC), we were able to transition ownership of our two practices into a cooperative model. We worked closely with the UW Center for Cooperatives, received training and educational resources, and were able to offset some of the legal and accounting costs.

This transition allowed us to become one of the first employee-owned veterinary cooperatives in the country, now called Cooperative Veterinary Care—Spring Green and Mazomanie Animal Hospitals. This model empowered our dedicated team of 14-20 veterinarians, technicians, and assistants to take ownership of the business. The employees—ranging in age from 20 to 58, with life experiences from rural farming families to blue-collar city backgrounds—came together to create bylaws, manage the business, and make decisions about how to allocate resources in smart, fair, and equitable ways. Our Board presidency has rotated annually and has been filled by experienced veterinarian, who offered his extensive medical knowledge and leadership

skills, by a dedicated veterinary technician, who contributed her technical expertise and deep understanding of animal health and 20 years of experience in our practice. In our third year, we have a high school graduate with strong family and community roots serving as our president, demonstrating our commitment to involving all stakeholders in our mission. This unique rotation system ensures that our Board remains dynamic and representative of the roles and individuals that contribute to the success of our organization.

Impact of Employee Ownership: In just three years, our employee-owned cooperative has not only preserved the vital veterinary services in these rural communities but also improved the quality of life for our employees. We've developed a health insurance program that benefits everyone, committed to a strong mental health program, invested in new equipment, and raised wages to competitive levels.

Perhaps most impressively, after covering all operating costs, including the business loan and lease payments that provided my partner and myself with a fair return on our investment, our cooperative has distributed profits back to the employees. This profit-sharing model has resulted in additional year-end distributions of 20% or more of their annual income for those at the lower end of the wage scale in our practice and 10-15% for higher wage earners.

This model has created a tangible, positive impact on our local communities and provides a clear pathway for employees to not only work for the business but to *own* a piece of it and benefit from its success and their daily efforts and enthusiasm.

The Importance of State Support: Our experience in transitioning to an employee-owned cooperative is proof that this model works, particularly in small communities where retaining local ownership and keeping profits within the community are essential. However, it would not have been possible without the support we received from the WEDC grant and the guidance from the UW Center for Cooperatives. These resources helped us overcome the financial and logistical barriers to transitioning our practice to employee ownership.

Without this kind of support, the opportunity to transition to an employee-owned cooperative might have remained just that—an idea, and not a reality.

Conclusion: That's why I urge you, and all of your colleagues, to support and vote in favor of the Employee Ownership Bill—Assembly Bill 17 and Senate Bill 21. This legislation will help more small business owners like myself transition to employee-owned models and empower workers in rural communities across Wisconsin to take ownership of their futures. It will allow businesses like ours to thrive and continue serving their communities while providing meaningful economic benefits for workers.

This bill has the potential to change the landscape of business ownership in Wisconsin, especially for rural communities that are often overlooked by larger corporate interests. We need your support to make this a reality for more Wisconsin residents.

Thank you for your time and consideration. I'm happy to answer any questions you may have.

Dr. John Dally -Co-owner and founder of Cooperative Veterinary Care- Spring Green and Mazomanie Animal Hospitals

dr.dally@cooperativevetcare.com Personal phone 608-574-2035



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Employee Ownership Bill - Public Hearing Instructions and Guidance

Assembly Bill 17 - Senate Bill 21

Assembly Committee on Ways & Means - Tuesday, April 15 at 10 AM

Good morning. I am Kristin Forde from the UW Center for Cooperatives, which is part of the Division of Extension.

The University of Wisconsin Center for Cooperatives (UWCC) was founded in 1962. We are a trusted and unbiased voice of cooperatives in Wisconsin. With a strong public service orientation and access to world-class university resources, we leverage research, education and outreach capabilities to foster critical thinking and understanding about cooperatives. The work of our center has highlighted the importance of cooperatives to both agricultural and economic development.

I am here to testify in favor of the Employee Ownership Bill. My testimony this morning will focus on four core benefits of employee ownership to Wisconsin communities in rural, suburban, and urban parts of the state: improved business performance, workforce productivity and retention, viable exit strategies for aging business owners, and the retention of critical businesses, job, and services in rural communities.

- I'd like to start with **business performance**. Countless studies have documented the positive impacts of employee ownership on business performance. Research out of Leeds University Business School showed that employee owned "cooperatives are more productive than conventional businesses, with staff working 'better and smarter' and production organized more efficiently."
- The increase in firm performance of employee-owned businesses is often attributed to the **increased motivation and employee retention** that results from employees having an ownership stake in the business where they work. We know Wisconsin is facing workforce shortages across industries—so anything we can do to increase productivity and hold onto the valuable employees we have will be good for business and good for our state. Employee owned businesses are also far less likely to leave Wisconsin, helping retain jobs and skilled workers in our state.
- Selling to employees is not only a viable exit strategy for aging business owners, but may be the best option for three reasons. Many business owners want to leave a **legacy** when they retire and because employee owned businesses have higher employee retention and productivity, and they have also proven to be more resilient to economic downturns - all which lead to longer lasting businesses and a legacy left by the business owner. There is also opportunity for selling owners to

remain **relevant** after the sale by participating as a board director, advisor or member. Rather than a transaction that completely removes the business owner from future business affairs, the business owner can transfer knowledge and experience to the new owners. Finally, the business owner's **financial goals** can be met through a sale that is structured to pay a fair market price and ensure feasibility for the converted business. The tax credits and capital gains deduction in this bill will add to the financial reward business owners see after selling to employees.

- Next, I want to highlight the key role employee ownership can play in the **retention of critical businesses, jobs, and services** in rural communities. Helping business owners sell their businesses to their employees has become a core program at the Center for Cooperatives by providing direct technical services because we have seen the positive impacts these transactions have had on business owners, employees, and communities.
 - In 2019, we helped a group of workers in Crandon, Wisconsin (Forest County) to buy a division of Columbian Home Products whose owner was ready to liquidate when he could not find a buyer. Five years after selling to his employees, Snow River continues to operate in Crandon and is doing well.
 - In 2022, we worked closely with the owners of two veterinary clinics in Spring Green and Mazomanie who wanted to ensure the businesses they built stayed in their communities. You will be hearing from one of their previous owners today.
 - Lastly, I would like to highlight a business that became employee owned in 1983 and has since grown into a leading firm in their industry. Isthmus Engineering and Manufacturing designs and builds custom automation equipment. In 1983, they had four employees. The company now employs 80 people and generated nearly \$40 million in sales in the last year.

In recent years we have seen a steady increase in interest in employee ownership as a succession strategy, but the models are still largely unknown among business owners and in fact, many business owners have no succession plan at all. The center has engaged in direct education and outreach to business owners, economic development partners, business professionals and UW Extension County Educators. This legislation ties together education and financial incentives to ensure that employee-owned cooperatives are a feasible solution to retaining jobs and services in our communities. We are here as a resource and partner in these efforts.

WICEO



WISCONSIN CENTER FOR EMPLOYEE OWNERSHIP

April 15, 2025

Representative Jerry O'Connor, Chair
Wisconsin Assembly Committee on Ways and Means
State Capitol
PO Box 8953
Madison, WI 53708

Dear Committee Chair O'Connor, Vice-Chair Kaufert, and members of the Assembly Committee on Ways & Means:

The Wisconsin Center for Employee Ownership (WICEO) is pleased to provide testimony to support AB 17/SB 21 for today's hearing. I'm Ryan Kauth, WICEO's first executive director. My main role is to provide employee ownership education and outreach to Wisconsin business owners, their advisors, economic development professionals, and legislators. We are funded by the national Employee Ownership Expansion Network (EOX) and via a capacity building grant from the Wisconsin Economic Development Organization (WEDC). The board of EOX includes business owners who have sold their companies to their employees and are using their proceeds to tell the story of employee ownership as a succession plan.

Right now, Wisconsin has over 50,000 businesses owned by someone age 55 or older. Those businesses have \$132 billion in revenue and 658,000 employees with \$25 billion in payroll. The lowest estimates say 46% of these companies have no buyer, and I've seen estimates as high as 90%.

Nationally, only about 10% of business owners know that selling their businesses to their employees is an exit strategy.

Employee-owned companies – such as ESOPs, employee-owned cooperatives, and employee ownership trusts – are retained in their Wisconsin communities. They are more productive, retain their employees longer, and have an easier time recruiting new employees than their non-employee owned competitors. In addition, employees of employee-owned companies retire with nearly double the wealth than their non-employee-owned counterparts.

Besides education, one of the main barriers to employee ownership is the upfront costs of required feasibility studies and other expenses to begin the employee-ownership transaction or conversion process. The conversion costs tax credit and tax deduction on capital gains from the transfer of a business to employee ownership would absolutely help removing this barrier.

Ryan Kauth, Executive Director, WICEO

Testimony speaking in favor of Assembly Bill 17

By: Sherri McDermott, retired VP Human Resources at Sentry Equipment Corp.

Sentry is a manufacturing company in Oconomowoc, who provides sampling and related equipment and services for worldwide power and process industries. I began as Administrative Assistant in 1986, when the company had 65 employees. At that time Sentry was family-owned, and the Henszeys were looking into transition strategies because their children were not involved in the business. A company in France was interested in buying Sentry, but the Henszeys had built a strong family culture, and wanted to ensure their employees would be protected. They investigated other options, and implemented an Employee Stock Ownership Plan, or ESOP.

The ESOP allowed Sentry Equipment and its employees to remain in Wisconsin, rather than potentially becoming a French company and moving overseas. Today Sentry is a successful, growing company with over 200 employees throughout the U.S.

There is a strong ownership culture at Sentry Equipment, with employees that provide high quality craftsmanship and demonstrate ownership pride in their jobs. Employees are actively involved in decisions that impact their work, and they are empowered to implement improvement ideas. Company financial results are shared with all employees, and they understand how their actions impact company performance, the stock value, and their retirement package. Sentry's share value has grown 15 times since the ESOP began, creating wealth and financial security for its retirees.

The ESOP is also a great tool for recruiting and employee retention – who wouldn't want to be part owner of a company without having to invest their own money! Employees are rewarded for their dedication, quality work, and ownership mentality.

Personally, I retired almost 3 years ago at the age of 57. I never dreamed I would spend 36 years with one company, but Sentry's culture provided opportunities for advancement, personal growth, and it was a fun place to work! I enjoyed my job, but I am so blessed and fortunate to have been able to retire young while having my ESOP account to provide financial security throughout my retirement. I now have time to travel, volunteer in the community, spend time with my grandchildren, and assist my father who can no longer drive. These are all things that are very important to me, but difficult to do while working full time.

Employee ownership is great for everyone involved:

- **Employees** are actively engaged in the company they work for and are able to provide financial security for their families, both short and long term.
- **Companies** benefit by having employees who are proud employee owners and invested in helping the business succeed.
- Studies show that the **economy** benefits because ESOP companies are more likely to provide job stability and corporate growth through uncertain times, while providing wealth creation and retirement security for its employees.

I hope you will support Assembly Bill 17, which would help other Wisconsin companies provide this great benefit and work culture for their employees.

Testimony of Ariana Bodenbach
Employee-Owner, Hallmark Building Supplies, Inc.
In Support of Assembly Bill 17/SB 21 for the Public Hearing on April 15th
Wisconsin State Assembly – Committee on Ways and Means
April 15, 2025

Committee Chair O'Connor, Vice-Chair Kaufert, and Members of the Assembly Committee on Ways & Means,

Thank you for the opportunity to speak before you today. My name is Ariana Bodenbach, and I'm an employee-owner at Hallmark Building Supplies, Inc. headquartered in Waukesha, WI. We are a wholesale distributor of building materials, proudly serving our industry and community since 1974 and we are honored to be the current ESOP Company of the Year for Wisconsin.

I'm here today to voice my strong support for Assembly Bill 17. This bill is more than a tax policy - it's a critical tool for preserving Wisconsin jobs, building local wealth, and ensuring that businesses founded and grown in this great state remain locally owned and operated.

Hallmark was founded by Joe Balthazor in 1974. Joe often jokes that he started the company at age ten to make the math work in his favor. But in 2020, at the young age of 79, he began to consider retirement and faced a very real and challenging decision: sell the company to private equity, or transition ownership in a way that would protect his leadership team, our associates, and the values at the heart of Hallmark. He ultimately chose to sell his shares to our Employee Stock Ownership Plan (ESOP), a decision that preserved not only the legacy he spent his life building but the livelihoods of associates like me.

Had Joe chosen differently, I likely wouldn't be standing here speaking to you today. Hallmark would likely have been sold to an out-of-state private equity firm. I, and many of my colleagues, would've likely been shown the door. Instead, thanks to his decision, I now have a stake in the company's success, a voice in my workplace, and the long-term stability to build a career and life I'm proud of.

And my story is just one of many. If time permitted, we could fill this room with employee-owners who would share how transformative employee ownership has been for them and their families. But for the sake of time, and because we know the coffee's kicking in, we're happy to connect you with other ESOP companies at a later date.

Still, I want to share just a few examples of the impact ESOP ownership has had at Hallmark. Two associates retired after 41 years of service, with others reaching 37, 28, and 26 years - remarkable tenure that is increasingly rare to see in today's workforce. Both of our 41 year retirees left with nearly seven figures in their ESOP account. Our 26-year Warehouse Lead retired with a six-figure ESOP balance.

And it's not just retirees. One longtime sales leader used his ESOP distribution to fulfill his dream of owning his own business and opened a pet supply store with his brother. They've since opened a second location right here in southeast Wisconsin. Others have used their distributions for down payments on homes, new family vehicles or to achieve long-term financial stability.

But the story that has impacted me the most is that of Nancy, who worked at Hallmark for 40 years. Nancy was known as our "purple princess", purple was her favorite color, and she wore it proudly in everything from her hair to her car and even her house. It also happened to be our corporate color, making it all the more fitting.

Tragically, at age 60, Nancy was diagnosed with ALS and had to retire early. Though not of retirement age, her years of service made her eligible for a diversification from her ESOP account. Those funds allowed her to remain in her home and receive 24/7 care until she passed last year. Afterward, her remaining ESOP balance was passed on to her family. That was Nancy's legacy - something she spent her life building, and I know she was incredibly proud of what she was able to leave behind.

Witnessing Nancy's experience helped me understand the true power of employee ownership. This isn't just a retirement benefit – it is life changing. Without the ESOP, Nancy wouldn't have been able to afford the care she needed, or the comfort of staying in her own home surrounded by what she loved. And she wouldn't have been able to leave behind a six-figure legacy for her family – one that at will impact their lives for years to come.

Unfortunately, far too few business owners are even aware that employee ownership is an option. That is why Assembly Bill 17 is so essential. It lowers the financial and informational barriers to conversion and provides the tools and resources owners need to transition their businesses responsibly and sustainably.

Wisconsin is facing a generational wave of business succession. Thousands of owners will retire in the coming years, and without tools like those in this bill, many of those businesses could be sold to out-of-state buyers, or closed entirely, taking jobs and local wealth with them.

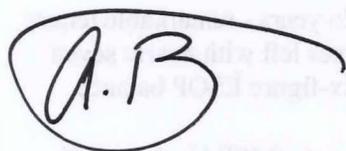
But if we support employee ownership, we can keep those businesses thriving right where they are, in the hands of the people who helped build them.

Wisconsin is already a leader in the ESOP community. This is our moment of opportunity. With Assembly Bill 17, we have a chance to strengthen that leadership, support working families, and protect the economic engines that drive our state forward.

I respectfully urge you to support Assembly Bill 17 - not just because it makes strong economic sense, but because it changes lives and gives workers like me the chance to own a piece of the future we're working so hard to build.

Thank you for your time and consideration.

Respectfully submitted,

A handwritten signature in black ink, consisting of the letters 'A.B.' inside a hand-drawn oval.

Ariana Bodenbach
Vice President – Human Resources
Hallmark Building Supplies, Inc.
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Tony Evers
Governor

David M. Casey
Secretary of Revenue Designee

**Assembly Committee on Ways & Means
Testimony on Assembly Bill 17
April 15, 2025**

Chairman O'Connor, Vice-Chair Kaufert, Ranking Member Bare, and members of the Assembly Committee on Ways & Means, thank you for holding a public hearing on Assembly Bill 17. I appreciate the opportunity to submit written testimony on behalf of the Wisconsin Department of Revenue (DOR) and look forward to working with the committee throughout this legislative session.

Assembly Bill 17 creates tax incentives for Wisconsin businesses converting to employee stock ownership structures and requires the DOR to establish an economic development program for the purpose of promoting employee ownership business structures. We certainly appreciate the intent of the bill and the thoughtfulness from the authors; however, we have a few recommendations that could further improve the bill.

Most notably, as it relates to the requirement that DOR establish an economic development program to promote employee ownership business structures, the bill does not provide funding for the additional positions needed to conduct outreach and education. The bill does instruct DOR to apply for federal grant funding; however, there is no back up plan if the grant is not awarded or does not cover the actual costs. It is our belief that relying on federal grant funding, at this time, is likely not the best path forward.

Additionally, there is a conflict of interest for DOR to provide outreach and training to businesses on ownership structures and conversion, as DOR administers tax laws by reviewing and auditing tax returns. To put it plainly, DOR should not be promoting and auditing. To avoid conflicts of interest and administrative challenges, it likely makes more sense to task another agency with these responsibilities.

We do have other concerns with how the bill is currently drafted, including uncertainty with how DOR is supposed to enforce the \$5 million per-year credit cap. Clarity on administering the credit cap would be beneficial to both DOR and program applicants. There are also a few changes to definitions within the bill that we would support. At DOR, we are always willing and eager to work with lawmakers on their legislative proposals. If the bill authors would like to meet with our team regarding ways to improve Assembly Bill 17, we will make ourselves available at your convenience.

Again, I want to thank Chairman O'Connor for scheduling this hearing. If committee members have questions about this bill or any of the bills being heard today, please do not hesitate to reach out. Thank you.

Frida Ballard

Regarding Committee Chair O'Connor, Vice-Chair Kaufert, and members of the Assembly Committee on Ways & Means on the topic of AB 17/ SB 21
04/14/2025

My name is Frida Ballard, and I am a worker cooperative organizer at Worker Justice Wisconsin, a worker center in Madison, Wisconsin. My primary role is developing worker-owned cooperatives that are run by immigrant, Latino, and low-wage workers, who are some of the most vulnerable and exploited workers in our community. I am testifying on behalf of the emerging immigrant cooperative scene on the positive aspects of AB 17/SB 21.

For many immigrant and otherwise excluded workers, a cooperative is their best shot at fair labor conditions, equitable pay, and humane work hours. It is not easy to prepare workers for business ownership, but with technical support from the Madison co-op networks and financial assistance government programs, our workers are able to make their dream of ownership a reality.

We encounter countless workers whose employers do not have a retirement plan, and fear they will lose their stable jobs if the owner decides to sell the company to another nameless and faceless out-of-state corporation. So much of Madison's favorite establishments - daycares, restaurants, bars - are run by our immigrant neighbors.

In my first week living in Madison, Wisconsin, after moving from Texas, I stopped by a local coffee shop and was served by a worker from my family's hometown in Mexico. Now, when I return to that coffee shop, as well as other establishments, I remember how the largely immigrant servers helped **me** feel at home. I want workers like her, who made that experience so special to me, to have a voice and vote in her workplace.

AB 17 would not only protect immigrant jobs, but has the potential to improve the income of countless service workers *and* locally retain the wealth generated by these activities. This initiative would lower one of the largest barriers of entry into the cooperative world, and would protect cherished businesses, workers, legacies and local wealth.

I hope you consider this testimony, and I deeply appreciate the Committee for their attention to this topic.

In Cooperation,

-Frida Ballard



April 12th, 2025

To Whom it May Concern;

I am writing this letter in support of any legislation that encourages or supports employee-owned businesses. *This is my testimony in support of AB 17/SB 21 for the Public Hearing on April 15th*

More than 30 years ago I became part of an employee-owned business, I consider it one of the best decisions that I have ever made.

Our business supplies automation equipment to the manufacturing industry, our customer base is both domestic and international. We create careers, not just good paying jobs. Our turnover rate is very low – these jobs are here to stay. The wages that we pay and the profit this is generated will stay here in our community.

Any decisions that we make are made locally, by us - not by administrative staff in another state or country. We want our organization to provide a stable, successful place to work for everyone that is employed here. We also want our employees to feel empowered and be proud of what they do – by giving them a stake in ownership it is an effective way of proving our commitment to them.

Almost weekly we have businesses that express interest in purchasing our company, in our industry I think it would be very easy to jump at a quick profit – as an employee-owned business this is something that we would never consider. Our community never has to worry that our organization will chase lower wages in a different state, our employees call this home and want to stay here.

It is to our benefit to develop and train our work force that we know will stay here for the long term. It makes us a stronger organization and gives us an advantage over competitors that have problems retaining their employees. Our employees are motivated to make our business the best it can be.

Thank You for your time and consideration.

Sincerely;

Erling Olson
Controls Engineer

Isthmus Engineering and Manufacturing Cooperative
4035 Owl Creek Drive
Madison WI, 53718
1-608-512-1116



EMPLOYEE-OWNED S CORPORATIONS OF AMERICA

April 14, 2025

The Honorable Jerry O'Connor
Chair, Assembly Committee on Ways and Means
Room 109 West, State Capitol
PO Box 8953
Madison, WI 53708

RE: AB 17

Dear Representative O'Connor,

The Employee-owned S Corporations of America (ESCA) applauds Representative Shae Sortwell's legislative efforts on Assembly Bill 17 (AB 17), which would eliminate state capital gains if an owner transfers a business to an ESOP, create an employee-ownership conversion tax credit, and establish an employee-ownership education program.

ESCA, representing more than 200 S ESOP (Employee Stock Ownership Plan) companies and over 270,000 employee-owners across the country, is the U.S. voice for some 3,000 S corporation ESOPs. Our exclusive mission is to preserve and promote broad-based employee-owned S Corporations and the benefits provided to their employee-owners. Most employee-owned S Corporations are 100-percent owned by their employees through the ESOP.

ESOP companies generate economic growth and promote retirement savings while giving employee-owners a stake in the company's success. AB 17 could enhance ESOP growth in Wisconsin, creating good jobs and retirement savings for Wisconsin employee-owners.

We appreciate your consideration of this effort to boost employee-ownership in Wisconsin.

Best regards,

A handwritten signature in black ink that reads "Noelle Montano".

Noelle Montano

Executive Director

750 9th St NW Suite 650, Washington DC 20001

Written Testimony in Support of AB 17 / SB 21
Submitted by West Foster, Attorney at Scholz Nonprofit Law

Committee Chair O'Connor, Vice-Chair Kaufert, and members of the Assembly Committee on Ways & Means,

I am writing to share my strong support for Assembly Bill 17 / Senate Bill 21.

I am an attorney who works directly with employee-owned businesses across Wisconsin and beyond. I help business owners convert to employee ownership, and I've seen firsthand the transformative effect it has, not only on companies, but on the people who work in them.

When employees become owners, something shifts. They grow professionally. They carry more responsibility. They take pride in their work and in their workplace. Having a real stake in the company and a voice in its direction brings dignity, purpose, and engagement to their jobs.

And employee ownership is not just good for employees, it's good for business. Employee-owned businesses stay rooted in their communities, preserve jobs, and keep businesses locally owned, even after the founder retires. Research has also shown that employee-owned cooperatives are more likely to survive their first five years than other companies¹, and have higher employee productivity than other businesses².

Despite all these benefits, one of the biggest barriers to employee ownership is the cost of transition. The legal, financial, and administrative fees associated with converting a business to employee ownership can be significant—especially for small and mid-sized businesses. I have watched too many business owners walk away from the idea of selling to their employees simply because the numbers don't work.

That's why I support AB 17 / SB 21. This bill provides common-sense solutions: a tax credit and capital gains exclusion that help offset the cost of selling a business to employees. It's a modest investment with a big return. States across the Midwest—Iowa, Nebraska, and Missouri among them—have adopted similar incentives and are seeing success. Wisconsin should follow suit.

This bill is a win-win. It gives retiring business owners a meaningful exit strategy that keeps their legacy alive. And it gives employees the opportunity to step into ownership, build wealth, and secure their jobs for the long term.

Thank you for considering this important legislation. I urge you to vote in favor of AB 17 / SB 21 and help make employee ownership more accessible across Wisconsin.

¹ Cornell University: Are Worker-Managed Firms More Likely to Fail Than Conventional Enterprises? Evidence from Uruguay, <https://journals.sagepub.com/doi/10.1177/001979391406700108>

² Cornell University: Worker Participation and Productivity in Labor-Managed and Participatory Capitalist Firms: A Meta-Analysis, <https://journals.sagepub.com/doi/abs/10.1177/001979399504900104>

Gorzlancyk, Abby

From: Rep.O'Connor
Sent: Monday, April 14, 2025 8:03 PM
To: Grosz, Scott; Gorzlancyk, Abby
Subject: FW: Presentation for support of Assembly Bill 17 and Senate Bill 21- Employee-Owned Cooperatives

Another AB 17 testimony

-Henry

From: John Dally <dr.dally@cooperativevetcare.com>
Sent: Monday, April 14, 2025 7:32 PM
To: Rep.O'Connor <Rep.O'Connor@legis.wisconsin.gov>; Rep.Kaufert <Rep.Kaufert@legis.wisconsin.gov>; Rep.Armstrong <Rep.Armstrong@legis.wisconsin.gov>; Brooks, Rob <Rep.Rob.Brooks@legis.wisconsin.gov>; Rep.Franklin <Rep.Franklin@legis.wisconsin.gov>; Rep.Gustafson <Rep.Gustafson@legis.wisconsin.gov>; Rep.Penterman <Rep.Penterman@legis.wisconsin.gov>; Rep.Bare <Rep.Bare@legis.wisconsin.gov>; Rep.Jacobson <Rep.Jacobson@legis.wisconsin.gov>; Rep.Fitzgerald <Rep.Fitzgerald@legis.wisconsin.gov>
Subject: Presentation for support of Assembly Bill 17 and Senate Bill 21- Employee-Owned Cooperatives

Committee Chair O'Connor, Vice-Chair Kaufert, and members of the Assembly Committee on Ways & Means,

I plan to attend the committee hearing on April 15th, and will provide written copies of this document at that time, but in addition wanted to send this in email format to all committee members.

Presentation to Legislative Committee: Assembly Bill 17 and Senate Bill 21 Supporting Employee-Owned Cooperatives

Introduction: Good morning. My name is Dr. John Dally, and I am here today to speak in favor of Assembly Bill 17 and Senate Bill 21, which would provide critical support for employee-owned cooperatives in Wisconsin. I'd like to share with you my own personal story and experience with transitioning my small veterinary business into an employee-owned cooperative, and why I believe this model is a vital opportunity for more Wisconsin citizens, particularly in our underserved rural communities.

Background: A little over 20 years ago, a colleague and I started a veterinary practice in the rural town of Spring Green, Wisconsin—a community with a population of around 1,500 people. Over the years, we weathered economic challenges, including the 2008 recession, and were fortunate to see steady growth. In early 2020, we added another small practice in Mazomanie, a nearby community of similar size.

When the COVID-19 pandemic hit, we navigated the difficulties it brought to the veterinary industry. As my partner and I approached our mid-50s, we began thinking seriously about retirement and what the future of our business would look like. We wanted to ensure that our practice would stay in our small communities, continue serving the families and pets we had come to know and love, and

provide fair and equitable opportunities for our dedicated employees. But the options available to us seemed limited.

Challenges in the Industry: Historically, veterinary practices like ours were sold to younger associates who could continue operating the business. However, the skyrocketing cost of veterinary education has left many young veterinarians burdened by massive student debt, preventing them from taking on the additional financial responsibility of ownership.

In the last 10-15 years, private equity firms have increasingly stepped in to buy and consolidate what were once privately owned practices. This trend has not been beneficial for the care of patients, for the veterinarians and other veterinary professionals employed by these new entities, or for the local communities that lose out when profits are siphoned away by large corporate interests. Smaller rural practices like ours are especially unattractive to private equity, which prefers large, urban-based operations. This is why we stepped in to purchase the Mazomanie practice in 2020 when the retiring owner could not find a buyer, despite the practice being profitable.

Transition to Employee Ownership: In 2022, with the help of a grant from a pilot program through the Wisconsin Economic Development Corporation (WEDC), we were able to transition ownership of our two practices into a cooperative model. We worked closely with the UW Center for Cooperatives, received training and educational resources, and were able to offset some of the legal and accounting costs.

This transition allowed us to become one of the first employee-owned veterinary cooperatives in the country, now called Cooperative Veterinary Care—Spring Green and Mazomanie Animal Hospitals. This model empowered our dedicated team of 14-20 veterinarians, technicians, and assistants to take ownership of the business. The employees—ranging in age from 20 to 58, with life experiences from rural farming families to blue-collar city backgrounds—came together to create bylaws, manage the business, and make decisions about how to allocate resources in smart, fair, and equitable ways. Our Board presidency has rotated annually and has been filled by experienced veterinarians, who offered their extensive medical knowledge and leadership skills, and by dedicated veterinary technicians, who contributed their technical expertise and deep understanding of animal health. In our third year, we have a high school graduate with strong family and community roots serving as our president, demonstrating our commitment to involving all stakeholders in our mission. This unique rotation system ensures that our Board remains dynamic and representative of the roles and individuals that contribute to the success of our organization.

Impact of Employee Ownership: In just three years, our employee-owned cooperative has not only preserved the vital veterinary services in these rural communities but also improved the quality of life for our employees. We've developed a health insurance program that benefits everyone, committed to a strong mental health program, invested in new equipment, and raised wages to competitive levels.

Perhaps most impressively, after covering all operating costs, including the business loan and lease payments that provided my partner and myself with a fair return on our investment, our cooperative has distributed profits back to the employees. This profit-sharing model has resulted in additional year-end distributions of 20% or more of their annual income for those at the lower end of the wage scale in our practice and 10-15% for higher wage earners.

This model has created a tangible, positive impact on our local communities and provides a clear pathway for employees to not only work for the business but to *own* a piece of it and benefit from its success and their daily efforts and enthusiasm.

The Importance of State Support: Our experience in transitioning to an employee-owned cooperative is proof that this model works, particularly in small communities where retaining local ownership and keeping profits within the community are essential. However, it would not have been possible without the support we received from the WEDC grant and the guidance from the UW Center for Cooperatives. These resources helped us overcome the financial and logistical barriers to transitioning our practice to employee ownership.

Without this kind of support, the opportunity to transition to an employee-owned cooperative might have remained just that—an idea, and not a reality.

Conclusion: That's why I urge you, and all of your colleagues, to support and vote in favor of the Employee Ownership Bill—Assembly Bill 17 and Senate Bill 21. This legislation will help more small business owners like myself transition to employee-owned models and empower workers in rural communities across Wisconsin to take ownership of their futures. It will allow businesses like ours to thrive and continue serving their communities while providing meaningful economic benefits for workers.

This bill has the potential to change the landscape of business ownership in Wisconsin, especially for rural communities that are often overlooked by larger corporate interests. We need your support to make this a reality for more Wisconsin residents.

Thank you for your time and consideration. I'm happy to answer any questions you may have.

Dr. John Dally -Co-owner and founder of Cooperative Veterinary Care- Spring Green and Mazomanie Animal Hospitals

Personal phone 608-574-2035

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Dr. John Dally Medical Director

Open virtual office hour calendar appts-

<https://calendar.app.google/rkFYxcsTLxBa7iLG8>

Member / Owner, and Co-Founder of *Cooperative Veterinary Care - A Worker-Owned Cooperative*

Learn more about our "Cooperative Story" here:

<https://news.vin.com/default.aspx?pid=210&Id=11753751&f5=1>

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