

HOUSE BILL 1638

N2, Q3, Q8

7lr3421

By: **Delegate Haynes**

Introduced and read first time: March 2, 2017

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Employee Ownership Trusts**

3 FOR the purpose of authorizing the creation of employee ownership trusts; requiring and
4 authorizing the exclusive purpose of an employee ownership trust to include certain
5 activities; requiring the trustee of an employee ownership trust, under certain
6 circumstances, to carry out the express terms and purposes of the trust; providing,
7 under certain circumstances, for the distribution of the principal or income of an
8 employee ownership trust; authorizing an employee ownership trust to limit trustee
9 liability in a certain manner if certain conditions are met; requiring a trustee that is
10 not independent of an employer to designate a third party to take certain actions;
11 authorizing an employee ownership trust to take certain actions; authorizing certain
12 tax benefits for individuals, financial institutions, corporations, and fiduciaries
13 related to qualified transfers to form an employee stock ownership plan, an employee
14 ownership trust, or a direct share ownership plan; requiring the State Department
15 of Assessments and Taxation, in consultation with the Comptroller, to adopt
16 regulations that provide for the preapproval of certain tax benefits; authorizing a
17 corporation, a limited liability company, a trust, or an employee association to apply
18 to the Department of Commerce for a certain employee ownership loan or loan
19 guarantee to finance certain eligible transactions; authorizing the Department,
20 under certain circumstances, to enter into certain agreements to provide loans or
21 loan guarantees to finance eligible transactions; requiring the Department to adopt
22 regulations to provide for the application and review and approval of loans and loan
23 guarantees; requiring the Department, on or before a certain date, to establish with
24 an institution of higher education a Center for the Promotion of Employee Ownership
25 Business Opportunities; requiring the Center to participate in certain activities;
26 requiring the Board of Public Works to adopt regulations that require certain
27 State–aided or –controlled entities to establish a certain percentage price preference
28 for the purchase of goods or services from an employee stock ownership plan, an
29 employee ownership trust, or a direct share ownership plan; requiring the
30 percentage preference to include a certain analysis and quantitative factor; providing
31 a subtraction modification under the Maryland income tax for any income from a

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 certain qualified transfer; providing a subtraction modification under the Maryland
2 income tax for any income of a fiduciary attributable to an employee stock ownership
3 plan, an employee ownership trust, or a direct share ownership plan; providing a
4 corporation, subject to certain limitations, a subtraction under the Maryland income
5 tax for contributions to or dividends payable to an employee ownership trust or direct
6 share ownership plan; defining certain terms; providing for the application of certain
7 provisions of this Act; and generally relating to the creation and promotion of
8 employee ownership trusts.

9 BY adding to

10 Article – Estates and Trusts

11 Section 14.5–1101 through 14.5–1105 to be under the new subtitle “Subtitle 11.
12 Employee Ownership Trusts”

13 Annotated Code of Maryland

14 (2011 Replacement Volume and 2016 Supplement)

15 BY adding to

16 Article – State Finance and Procurement

17 Section 14–417

18 Annotated Code of Maryland

19 (2015 Replacement Volume and 2016 Supplement)

20 BY repealing and reenacting, without amendments,

21 Article – Tax – General

22 Section 10–207(a) and 10–307(a)

23 Annotated Code of Maryland

24 (2016 Replacement Volume)

25 BY adding to

26 Article – Tax – General

27 Section 10–207(ee) and (ff) and 10–307(h)

28 Annotated Code of Maryland

29 (2016 Replacement Volume)

30 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

31 That the Laws of Maryland read as follows:

32 **Article – Estates and Trusts**

33 **SUBTITLE 11. EMPLOYEE OWNERSHIP TRUSTS.**

34 **14.5–1101.**

35 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**
36 **INDICATED.**

1 (B) "DEPARTMENT" MEANS THE DEPARTMENT OF COMMERCE.

2 (C) "DIRECT SHARE OWNERSHIP PLAN" MEANS AN AGREEMENT IN WHICH A
3 PORTION OF THE HIGHEST CLASS OF VOTING STOCK OR VOTING MEMBERSHIP
4 INTEREST OF A CORPORATION OR LIMITED LIABILITY COMPANY IS HELD DIRECTLY
5 BY ALL TENURED EMPLOYEES.

6 (D) (1) "ELIGIBLE TRANSACTION" MEANS THE QUALIFIED TRANSFER OF
7 SOME OR ALL OF THE STOCK OR MEMBERSHIP INTEREST OF A CORPORATION OR
8 LIMITED LIABILITY COMPANY TO AN EMPLOYEE STOCK OWNERSHIP PLAN, AN
9 EMPLOYEE OWNERSHIP TRUST, OR A DIRECT SHARE OWNERSHIP PLAN.

10 (2) "ELIGIBLE TRANSACTION" INCLUDES THE ACQUISITION OF
11 STOCK OR MEMBERSHIP INTEREST BY AN EMPLOYEE OWNERSHIP ASSOCIATION FOR
12 A QUALIFIED TRANSFER TO AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE
13 OWNERSHIP TRUST, OR A DIRECT SHARE OWNERSHIP PLAN.

14 (E) (1) "EMPLOYEE OWNERSHIP ASSOCIATION" MEANS A CORPORATION,
15 A LIMITED LIABILITY COMPANY, A TRUST, OR ANY OTHER ENTITY THAT ACTS ON
16 BEHALF OF EMPLOYEES OF AN EXISTING EMPLOYER IN A QUALIFIED TRANSFER OF
17 SOME OR ALL OF THE STOCK OR MEMBERSHIP INTEREST OF THE EMPLOYER TO
18 OWNERSHIP BY AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE OWNERSHIP
19 TRUST, OR A DIRECT SHARE OWNERSHIP PLAN.

20 (2) "EMPLOYEE OWNERSHIP ASSOCIATION" INCLUDES A
21 CORPORATION OR LIMITED LIABILITY COMPANY WITH AN EXISTING EMPLOYEE
22 STOCK OWNERSHIP PLAN, AN EMPLOYEE OWNERSHIP TRUST, OR A DIRECT SHARE
23 OWNERSHIP PLAN THAT ACTS ON BEHALF OF THE EMPLOYEES OF ANOTHER
24 EMPLOYER FOR THE PURPOSE OF ACHIEVING A QUALIFIED TRANSFER THROUGH
25 CONSOLIDATION OR MERGER.

26 (F) "EMPLOYEE OWNERSHIP LOAN" MEANS A LOAN:

27 (1) TO A CORPORATION, A LIMITED LIABILITY COMPANY, AN
28 EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE OWNERSHIP TRUST, OR AN
29 EMPLOYEE OWNERSHIP ASSOCIATION THAT IS USED TO ACQUIRE EMPLOYER STOCK
30 OR MEMBERSHIP INTEREST FOR A QUALIFIED TRANSFER; OR

31 (2) TO A CORPORATION OR LIMITED LIABILITY COMPANY IF, WITHIN
32 30 DAYS OF THE LOAN, EMPLOYER STOCK OR MEMBERSHIP INTEREST IS
33 TRANSFERRED TO AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE
34 OWNERSHIP TRUST, OR A DIRECT SHARE OWNERSHIP PLAN IN AN AMOUNT EQUAL

1 TO THE PROCEEDS OF THE LOAN AND IN ACCORDANCE WITH THE TERMS OF A
2 QUALIFIED TRANSFER.

3 (G) (1) "EMPLOYEE OWNERSHIP TRUST" MEANS A TRUST, INCLUDING A
4 FOREIGN TRUST, THAT HOLDS THE HIGHEST CLASS OF VOTING STOCK OR VOTING
5 MEMBERSHIP INTEREST OF A CORPORATION OR LIMITED LIABILITY COMPANY THAT
6 MEETS THE REQUIREMENTS OF THIS SUBTITLE.

7 (2) "EMPLOYEE OWNERSHIP TRUST" INCLUDES A NONCHARITABLE
8 TRUST OR PERPETUAL TRUST.

9 (H) "EMPLOYEE STOCK OWNERSHIP PLAN" HAS THE MEANING STATED IN §
10 4975(E)(7) OF THE INTERNAL REVENUE CODE.

11 (I) "EMPLOYER" INCLUDES TWO OR MORE PERSONS TREATED AS A SINGLE
12 EMPLOYER UNDER § 414(B), (C), (M), OR (O) OF THE INTERNAL REVENUE CODE.

13 (J) "QUALIFIED TRANSFER" MEANS THE TRANSFER OF ANY AMOUNT OF
14 STOCK OR MEMBERSHIP INTEREST OF A CORPORATION OR LIMITED LIABILITY
15 COMPANY TO AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE OWNERSHIP
16 TRUST, OR A DIRECT SHARE OWNERSHIP PLAN, IF:

17 (1) THE STOCK OR MEMBERSHIP INTEREST HAS VOTING POWER
18 EQUAL TO OR IN EXCESS OF THE CLASS OF STOCK OR MEMBERSHIP INTEREST OF
19 THE EMPLOYER;

20 (2) THE STOCK OR MEMBERSHIP INTEREST HAS DIVIDEND RIGHTS
21 EQUAL TO OR IN EXCESS OF THE CLASS OF STOCK OR MEMBERSHIP INTEREST OF
22 THE EMPLOYER; AND

23 (3) THE TRANSFER IS TO A DIRECT SHARE OWNERSHIP PLAN AND THE
24 LARGEST AMOUNT OF STOCK OR MEMBERSHIP INTEREST TRANSFERRED TO ANY
25 EMPLOYEE DOES NOT EXCEED A MULTIPLE OF 10 TIMES THE SMALLEST AMOUNT OF
26 STOCK OR MEMBERSHIP INTEREST TRANSFERRED TO ANY EMPLOYEE.

27 (K) "TENURED EMPLOYEE" MEANS AN EMPLOYEE OR INDEPENDENT
28 CONTRACTOR WHO HAS PROVIDED AT LEAST 1,000 HOURS OF SERVICES TO THE
29 EMPLOYER WITHIN THE PRECEDING 12 MONTHS.

30 (L) "TOTAL COST" MEANS ALL REASONABLE AND NECESSARY COSTS TO BE
31 INCURRED IN THE COURSE OF AN ELIGIBLE TRANSACTION, INCLUDING THE FAIR
32 MARKET VALUE OF THE BUSINESS INTEREST TO BE ACQUIRED, AND ANY
33 ADDITIONAL CONSTRUCTION, LAND ACQUISITION, IMPROVEMENTS, EQUIPMENT,

1 PERTINENT RIGHTS AND EASEMENTS, AND ASSOCIATED TECHNICAL, ENGINEERING,
2 LEGAL, AND FINANCIAL SERVICES.

3 14.5-1102.

4 (A) (1) THE EXCLUSIVE PURPOSES OF AN EMPLOYEE OWNERSHIP TRUST:

5 (I) SHALL INCLUDE:

6 1. THE CREATION OF EMPLOYEE OWNERSHIP BY
7 OBTAINING AND HOLDING THE STOCK OR MEMBERSHIP INTEREST OF AN EMPLOYER;
8 AND

9 2. THE PROMOTION OF THE FINANCIAL AND
10 NONFINANCIAL INTERESTS OF ALL TENURED EMPLOYEES; AND

11 (II) MAY INCLUDE:

12 1. PRESERVING THE ABILITY OF ALL TENURED
13 EMPLOYEES TO EXERCISE THE VOTING RIGHTS OF THE TRUST ON A ONE-PERSON,
14 ONE-VOTE BASIS;

15 2. HOLDING THE SHARES OR MEMBERSHIP INTERESTS
16 OF AN EMPLOYER IN PERPETUITY AND PRESERVING THE EMPLOYER IN
17 PERPETUITY;

18 3. PROVISIONS RELATING TO BOTH CURRENT AND
19 PROSPECTIVE TENURED EMPLOYEES; OR

20 4. PRIORITY OF ONE PURPOSE OVER OTHER PURPOSES.

21 (2) NOTWITHSTANDING PARAGRAPH (1)(II)1 OF THIS SUBSECTION, IF
22 THE MAJORITY DECISION OF ALL TENURED EMPLOYEES IS IN CONFLICT WITH THE
23 EXPRESS TERMS AND PURPOSES OF THE TRUST, THE TRUSTEE SHALL CARRY OUT
24 THE EXPRESS TERMS AND PURPOSES OF THE TRUST.

25 (B) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE
26 PRINCIPAL OR INCOME OF THE EMPLOYEE OWNERSHIP TRUST MAY ONLY BE
27 DISTRIBUTED OR ALLOCATED PROPORTIONALLY TO ALL TENURED EMPLOYEES ON
28 THE BASIS OF HOURS WORKED, SALARY, SENIORITY, OR A COMBINATION OF THESE
29 FACTORS.

1 **(2) THE PRINCIPAL OR INCOME OF THE EMPLOYEE OWNERSHIP**
2 **TRUST MAY BE DISTRIBUTED TO ONE OR MORE CHARITABLE ORGANIZATIONS.**

3 **(3) IF AN EMPLOYEE OWNERSHIP TRUST SELLS SHARES OR**
4 **MEMBERSHIP INTERESTS OF THE EMPLOYER, THE TRUST MAY DISTRIBUTE**
5 **PRINCIPAL OF THE TRUST TO TENURED EMPLOYEES AND INDIVIDUALS WHO WERE**
6 **TENURED EMPLOYEES PROVIDED THE TRUST ESTABLISH A CUTOFF DATE FOR THE**
7 **INCLUSION OF INDIVIDUALS WHO WERE TENURED EMPLOYEES.**

8 **(C) (1) AN EMPLOYEE OWNERSHIP TRUST MAY LIMIT TRUSTEE LIABILITY**
9 **IN A MANNER AUTHORIZED UNDER § 14.5-906 OF THIS TITLE IF:**

10 **(I) THE SHARES OR MEMBERSHIP INTERESTS OF THE**
11 **EMPLOYER ARE VOTED BY THE TRUSTEE IN ACCORDANCE WITH THE MAJORITY OF**
12 **ALL TENURED EMPLOYEES AND ON A ONE-PERSON, ONE-VOTE BASIS;**

13 **(II) THE TRUSTEE VOTES ALL EMPLOYER SHARES OR MEMBER**
14 **INTERESTS AS A UNIT IN ACCORDANCE WITH THE MAJORITY OF ALL TENURED**
15 **EMPLOYEES; AND**

16 **(III) BEFORE VOTING, THE TRUSTEE OR AN INDEPENDENT**
17 **THIRD PARTY FURNISHES EACH TENURED EMPLOYEE WITH:**

18 **1. THE INFORMATION STATEMENT AND OTHER**
19 **MATERIAL PROVIDED TO SHAREHOLDERS OR MEMBERS IN CONNECTION WITH THE**
20 **SHAREHOLDER OR MEMBER MEETING; AND**

21 **2. A FORM ON WHICH CONFIDENTIAL VOTING**
22 **DIRECTIONS MAY BE GIVEN TO THE TRUSTEE OR INDEPENDENT THIRD PARTY.**

23 **(2) IF THE TRUSTEE IS NOT INDEPENDENT OF THE EMPLOYER, THE**
24 **TRUSTEE SHALL DESIGNATE AN INDEPENDENT THIRD PARTY TO PROVIDE**
25 **INSTRUCTIONS AND TABULATE VOTES.**

26 **(3) THIS SUBSECTION DOES NOT EXEMPT THE TRUSTEE FROM AN**
27 **OBLIGATION TO CARRY OUT THE EXPRESS TERMS AND PURPOSE OF THE TRUST IN**
28 **THE CASE OF A CONFLICT WITH THE MAJORITY DECISION OF ALL TENURED**
29 **EMPLOYEES.**

30 **(D) AN EMPLOYEE OWNERSHIP TRUST MAY:**

31 **(1) EMPLOY AN ENTITY TO HOLD THE STOCK OR MEMBERSHIP**
32 **INTEREST OF THE EMPLOYER;**

1 **(2) REQUIRE THAT THE EMPLOYER OBTAIN MEMBERSHIP IN ONE OR**
2 **MORE NONPROFIT ASSOCIATIONS;**

3 **(3) REQUIRE THAT THE EMPLOYER MAKE ANNUAL DONATIONS TO**
4 **ONE OR MORE CHARITABLE ORGANIZATIONS;**

5 **(4) REQUIRE THAT THE EMPLOYER PAY MARKET-RATE WAGES OR**
6 **BENEFITS;**

7 **(5) REQUIRE THAT THE EMPLOYER RETAIN A PERCENTAGE OF**
8 **ANNUAL NET INCOME AS PERMANENT RESERVES THAT MAY NOT BE DISTRIBUTED**
9 **TO TENURED EMPLOYEES;**

10 **(6) IMPOSE OTHER REQUIREMENTS TO PROMOTE THE LONG-TERM**
11 **FINANCIAL HEALTH OF THE EMPLOYER AND THE CONTINUED ABILITY OF THE**
12 **EMPLOYER TO PROVIDE HIGH-QUALITY JOBS UNDER CONDITIONS OF EMPLOYEE**
13 **OWNERSHIP TO ALL CURRENT AND PROSPECTIVE TENURED EMPLOYEES; OR**

14 **(7) APPOINT A TRUST PROTECTOR OR CO-TRUSTEE TO ENFORCE THE**
15 **TRUST AND APPROVE AMENDMENTS TO THE TRUST.**

16 **14.5-1103.**

17 **(A) AN INDIVIDUAL IS ALLOWED THE SUBTRACTION UNDER § 10-207(EF) OF**
18 **THE TAX - GENERAL ARTICLE.**

19 **(B) A FINANCIAL INSTITUTION MAY SUBTRACT FROM ITS NET EARNINGS**
20 **COMPUTED UNDER § 8-204(A) OF THE TAX - GENERAL ARTICLE ANY INTEREST**
21 **RECEIVED FROM AN EMPLOYEE OWNERSHIP LOAN PROVIDED TO A MARYLAND**
22 **CORPORATION OR LIMITED LIABILITY COMPANY.**

23 **(C) A CORPORATION IS ALLOWED THE SUBTRACTION UNDER § 10-307(H)**
24 **OF THE TAX - GENERAL ARTICLE.**

25 **(D) A FIDUCIARY OF AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE**
26 **OWNERSHIP TRUST, OR A DIRECT SHARE OWNERSHIP PLAN IS ALLOWED THE**
27 **SUBTRACTION UNDER § 10-207(FG) OF THE TAX - GENERAL ARTICLE.**

28 **(E) (1) A CONTRIBUTION, DONATION, OR GIFT OF STOCK, MEMBERSHIP**
29 **INTEREST, OR CASH TO AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE**
30 **OWNERSHIP TRUST, OR A DIRECT SHARE OWNERSHIP PLAN IS NOT SUBJECT TO ANY**
31 **TAX UNDER TITLE 7 OF THE TAX - GENERAL ARTICLE.**

1 **(2) THE COMPTROLLER SHALL ADOPT REGULATIONS TO IMPLEMENT**
2 **THIS SUBSECTION.**

3 **(F) (1) THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION, IN**
4 **CONSULTATION WITH THE COMPTROLLER, SHALL ADOPT REGULATIONS PROVIDING**
5 **FOR THE PREAPPROVAL OF THE SUBTRACTIONS AND EXEMPTIONS AUTHORIZED**
6 **UNDER THIS SECTION THAT RESULT FROM A QUALIFIED TRANSFER.**

7 **(2) THE REGULATIONS SHALL REQUIRE THAT:**

8 **(I) AN INDEPENDENT APPRAISER DETERMINE THE FAIR**
9 **MARKET VALUE OF ANY STOCK OR MEMBERSHIP INTEREST; AND**

10 **(II) THE PREAPPROVAL DETERMINATION BE COMPLETED**
11 **WITHIN 30 DAYS FROM THE DATE OF THE APPLICATION.**

12 **14.5-1104.**

13 **(A) A CORPORATION, A LIMITED LIABILITY COMPANY, A TRUST, OR AN**
14 **EMPLOYEE ASSOCIATION MAY APPLY TO THE DEPARTMENT FOR AN EMPLOYEE**
15 **OWNERSHIP LOAN OR LOAN GUARANTEE OR BOTH TO FINANCE AN ELIGIBLE**
16 **TRANSACTION.**

17 **(B) IF THE DEPARTMENT APPROVES AN APPLICATION FOR A LOAN OR LOAN**
18 **GUARANTEE UNDER THIS SECTION, THE DEPARTMENT MAY ENTER INTO AN**
19 **AGREEMENT WITH THE CORPORATION, LIMITED LIABILITY COMPANY, TRUST, OR**
20 **EMPLOYEE OWNERSHIP ASSOCIATION TO PROVIDE:**

21 **(1) A LOAN OF UP TO 40% OF THE TOTAL COST OF THE ELIGIBLE**
22 **TRANSACTION PROVIDED THAT AT LEAST 50% OF THE LOAN IS SENIOR DEBT; AND**

23 **(2) GUARANTEES OF UP TO 100% OF ANY LOAN MADE BY A BANK OR**
24 **ANY OTHER COMMERCIAL LENDER PROVIDED THAT THE GUARANTEES DO NOT**
25 **EXCEED 80% OF THE TOTAL COST OF THE ELIGIBLE TRANSACTION.**

26 **(C) (1) THE DEPARTMENT SHALL ADOPT REGULATIONS TO PROVIDE FOR**
27 **THE APPLICATION FOR AND REVIEW AND APPROVAL OF LOANS AND LOAN**
28 **GUARANTEES UNDER THIS SECTION.**

29 **(2) THE DEPARTMENT SHALL APPROVE OR DENY AN APPLICATION**
30 **UNDER THIS SECTION WITHIN 30 DAYS OF AN APPLICATION.**

1 14.5-1105.

2 (A) ON OR BEFORE APRIL 1, 2018, THE DEPARTMENT SHALL PARTNER
3 WITH AN INSTITUTION OF HIGHER EDUCATION TO ESTABLISH A CENTER FOR THE
4 PROMOTION OF EMPLOYEE OWNERSHIP BUSINESS OPPORTUNITIES.

5 (B) THE CENTER SHALL:

6 (1) PROVIDE EDUCATION AND OUTREACH TO INFORM BUSINESS
7 OWNERS ABOUT THE BENEFITS OF EMPLOYEE OWNERSHIP SUCCESSIONS;

8 (2) ORGANIZE WORKSHOPS AND CONFERENCES ON EMPLOYEE
9 OWNERSHIP SUCCESSIONS;

10 (3) PREPARE AND DISTRIBUTE MATERIALS CONCERNING EMPLOYEE
11 OWNERSHIP SUCCESSIONS;

12 (4) PROVIDE INITIAL CONSULTATIONS TO BUSINESS OWNERS
13 EXPLORING THE POSSIBILITY OF TRANSFERRING FULL OR PARTIAL OWNERSHIP TO
14 EMPLOYEES;

15 (5) PROVIDE REFERRAL SERVICES TO HELP BUSINESS OWNERS FIND
16 LEGAL, FINANCIAL, AND TECHNICAL ADVICE IN CONNECTION WITH EMPLOYEE
17 OWNERSHIP SUCCESSIONS;

18 (6) PARTNER WITH PROFESSIONAL AND TRADE ASSOCIATIONS,
19 FINANCIAL INSTITUTIONS, UNIONS, ECONOMIC DEVELOPMENT ORGANIZATIONS,
20 AND OTHER NONPROFIT ENTITIES TO PROMOTE EMPLOYEE OWNERSHIP
21 SUCCESSIONS;

22 (7) SUPPORT THE GROWTH OF ASSOCIATIONS OF EMPLOYEE-OWNED
23 COMPANIES;

24 (8) PROVIDE ACCESS TO INFORMATION REGARDING GOVERNMENT
25 RULES AND REGULATIONS THAT RELATE TO EMPLOYEE OWNERSHIP;

26 (9) DEVELOP, IN PARTNERSHIP WITH APPROPRIATE STATE AND
27 LOCAL GOVERNMENT AGENCIES, PROPOSALS FOR CHANGES IN POLICIES TO
28 PROMOTE EMPLOYEE OWNERSHIP; AND

29 (10) CONDUCT INVESTIGATIONS, RESEARCH, STUDIES, AND ANALYSES
30 ON THE SUBJECT OF EMPLOYEE OWNERSHIP.

Article – State Finance and Procurement

14-417.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) “EMPLOYEE STOCK OWNERSHIP PLAN”, “EMPLOYEE OWNERSHIP TRUST”, “DIRECT SHARE OWNERSHIP PLAN”, AND “QUALIFIED TRANSFER” HAVE THE MEANINGS STATED IN § 14.5-1101 OF THE ESTATES AND TRUSTS ARTICLE.

(3) “PERCENTAGE PRICE PREFERENCE” MEANS THE PERCENT BY WHICH A RESPONSIVE BID FROM A RESPONSIBLE BIDDER THAT IS AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE OWNERSHIP TRUST, OR A DIRECT SHARE OWNERSHIP PLAN MAY EXCEED THE LOWEST RESPONSIVE BID SUBMITTED BY A RESPONSIBLE BIDDER THAT IS NOT AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE OWNERSHIP TRUST, OR A DIRECT SHARE OWNERSHIP PLAN.

(B) THE BOARD SHALL ADOPT REGULATIONS THAT REQUIRE A STATE-AIDED OR -CONTROLLED ENTITY TO ESTABLISH A PERCENTAGE PRICE PREFERENCE FOR THE PURCHASE OF GOODS OR SERVICES FROM AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE OWNERSHIP TRUST, OR A DIRECT SHARE OWNERSHIP PLAN.

(C) (1) THE CALCULATION OF THE PERCENTAGE PRICE PREFERENCE SHALL INCLUDE AN OBJECTIVE AND QUANTIFIABLE ANALYSIS AND IDENTIFY A QUANTITATIVE FACTOR FOR PROCUREMENTS THAT INCLUDES AN EMPLOYEE STOCK OWNERSHIP PLAN, AN EMPLOYEE OWNERSHIP TRUST, OR A DIRECT SHARE OWNERSHIP PLAN.

(2) THE QUANTITATIVE FACTOR SHALL CONSIDER THE PERCENTAGE OF EMPLOYEE OWNERSHIP OF A COMPANY, THE NUMBER OF EMPLOYEE-OWNERS OF A COMPANY, AND THE VOTING RIGHTS OF EMPLOYEE-OWNERS OF A COMPANY.

(3) AS DETERMINED BY THE STATE-AIDED OR -CONTROLLED ENTITY, THE PERCENTAGE OF EMPLOYEE OWNERSHIP OF A COMPANY UNDER PARAGRAPH (2) OF THIS SUBSECTION IS EQUAL TO:

(I) THE PERCENTAGE OF EMPLOYER STOCK OR MEMBERSHIP INTEREST REQUIRED FOR A QUALIFIED TRANSFER THAT IS HELD BY AN EMPLOYEE STOCK OWNERSHIP PLAN OR EMPLOYEE OWNERSHIP TRUST;

1 ATTRIBUTABLE TO STOCK OR MEMBERSHIP INTEREST DISTRIBUTED BY A DIRECT
2 SHARE OWNERSHIP PLAN.

3 (II) THE SUBTRACTION IS LIMITED TO THE LOWEST AMOUNT OF
4 STOCK OR MEMBERSHIP INTEREST DISTRIBUTED TO ANY TENURED EMPLOYEE FOR
5 THE TAXABLE YEAR.

6 (FF) (1) IN THIS SUBSECTION, "EMPLOYEE STOCK OWNERSHIP PLAN",
7 "EMPLOYEE OWNERSHIP TRUST", AND "DIRECT SHARE OWNERSHIP PLAN" HAVE
8 THE MEANINGS STATED IN § 14.5-1101 OF THE ESTATES AND TRUSTS ARTICLE.

9 (2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION
10 INCLUDES ANY INCOME OF A FIDUCIARY ATTRIBUTABLE TO AN EMPLOYEE STOCK
11 OWNERSHIP PLAN, AN EMPLOYEE OWNERSHIP TRUST, OR A DIRECT SHARE
12 OWNERSHIP PLAN.

13 10-307.

14 (a) To the extent included in federal taxable income, the amounts under this
15 section are subtracted from the federal taxable income of a corporation to determine
16 Maryland modified income.

17 (H) (1) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION
18 INCLUDES:

19 (I) ANY CASH, STOCK, OR MEMBERSHIP INTEREST
20 CONTRIBUTIONS TO AN EMPLOYEE OWNERSHIP TRUST OR A DIRECT SHARE
21 OWNERSHIP PLAN, INCLUDING ANY CONTRIBUTIONS APPLIED TO REPAYMENT OF
22 PRINCIPAL AND INTEREST ON AN EMPLOYEE OWNERSHIP LOAN; AND

23 (II) ANY DIVIDENDS PAYABLE TO AN EMPLOYEE OWNERSHIP
24 TRUST OR A DIRECT SHARE OWNERSHIP PLAN.

25 (2) THE AMOUNT OF THE SUBTRACTION ALLOWED UNDER
26 PARAGRAPH (1)(I) OF THIS SUBSECTION IS SUBJECT TO THE LIMITS ON DEDUCTIBLE
27 CONTRIBUTIONS UNDER § 404(A)(3)A AND (9) OF THE INTERNAL REVENUE CODE.

28 (3) FOR ANY CONTRIBUTION TO OR DIVIDENDS PAYABLE TO A DIRECT
29 SHARE OWNERSHIP PLAN, THE SUBTRACTION UNDER SUBSECTION (A) OF THIS
30 SECTION IS LIMITED TO THE VALUE OF THE LOWEST AMOUNT OF THE STOCK OR
31 MEMBERSHIP INTEREST DISTRIBUTED TO ANY TENURED EMPLOYEE DURING THE
32 TAXABLE YEAR MULTIPLIED BY THE NUMBER OF ALL TENURED EMPLOYEES.

1 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July
2 1, 2017. Section 2 of this Act shall be applicable to all taxable years beginning after
3 December 31, 2016.