

SUBJECT: Providing for employee stock ownership plans

COMMITTEE: International Relations & Economic Development — committee
substitute recommended

VOTE: 8 ayes — Button, Ordaz, Bumgarner, Clardy, Hayes, Meza, Plesa, Shine

0 nays

1 absent — C. Morales

WITNESSES: For — Teddy Hirsch, Air Tractor Inc.; Mike Hart (*Registered, but did not testify*; Corbin Van Arsdale, AGC-Texas Building Branch; Geoffrey Tahuahua, Associated Builders and Contractors of Texas; Bill Kelly, Mayor’s Office, City of Houston)

Against — J. R. Gonzales, Texas Association of Mexican American Chambers of Commerce (*Registered, but did not testify*; Pauline Anton, Texas Association of Mexican American Chambers of Commerce)

BACKGROUND: Some have suggested that professional corporations should be able to establish employee stock ownership plans in Texas similarly to other states.

DIGEST: CSHB 2389 would establish that an employee stock ownership plan, as defined by the U.S. Internal Revenue Code, established by a professional corporation, was an authorized person for the purposes of provisions related to professional corporations if:

- all of the voting trustees were professional individuals licensed to provide at least one category of the professional services described in the corporation’s certificate of formation; and
- the ownership interests in the plan were not directly issued to any person other than the plan trust or a professional individual.

An employee stock ownership plan established by a professional

corporation also would be an authorized person with respect to the corporation for purposes of provisions related to professional entities.

The bill would require the Texas Economic Development and Tourism Office to establish and maintain a website for employee-owned company information to serve as a source of:

- outreach and information dissemination for fostering increased awareness of employee stock ownership plans; and
- technical assistance for businesses in determining the feasibility of establishing an employee stock ownership plan.

The bill would take effect September 1, 2023.