



EMPLOYEE OWNERSHIP TRUST

A Complete Guide to Understanding and Establishing EOTs



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TOOLKIT

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EMPLOYEE OWNERSHIP TRUST 101

The Employee Ownership movement in the United States has grown and evolved tremendously over the past few decades. As of the most recently available data, there are approximately 6,548 Employee Stock Ownership Plans,¹ 751 Worker Cooperatives (WCs),² and 46 Employee Ownership Trusts (EOTs).³ ESOPs and WCs are the most dominant form of employee ownership in the United States, but momentum for EOTs is building off the model's preeminence in the UK and Canada.⁴



The emergence and spread of EOT based employee ownership in the US signals the evolution of the movement as a whole, and requires our attention to foster its expansion. The EOT's values-embedded model can take employee ownership to new heights – ushering in a new era of workplace democracy. Through EOTs, growing inequality and the "Silver Tsunami" can be leveraged to broadly and indefinitely anchor a positive social mission at the core of small business operating logic. This toolkit offers a clear overview of EOTs, including definitions, comparisons to ESOPs, ideal business profiles, best practices, key statistics, enabling policies, funding sources, and a case study of Clegg Auto, a Utah based EOT.

¹ Employee Ownership by the Numbers. (n.d.). National Center for Employee Ownership. Retrieved August 5, 2025, from <https://www.nceo.org/research/employee-ownership-by-the-numbers#how-many-esops-are-there>

² Democracy At Work Institute. (n.d.). State of the Sector 2023. Democracy At Work.

³ Hand, Mark Clayton, Jenny Everett, Courtney Kemp, Stacey Smith, and Natalie Reitman-White. 2023. "Purpose Trust Service Providers in the United States." Harvard Dataverse. <https://doi.org/doi:10.7910/DVN/RIO0PG>.

⁴ Maxwell Johnson, The Emergence of Employee Ownership Trusts in the U.S., Aspen Institute Economic Opportunities Program (Nov. 30, 2023).

What is an Employee Ownership Trust?

Employee Ownership Trusts (EOTs) – a type of purpose trust without an ascertainable beneficiary – hold some or all of the shares of a company for the indirect benefit of all of the employees.⁵ EOTs are not a retirement plan, like ESOPs.⁶ They cannot be bought nor sold, and employees don't have to sell shares before reaping financial benefits – in fact, they can't since they don't personally hold the shares. Most simply put, EOTs are a perpetual purpose trust whose purpose is to benefit all present and future employees through profit-sharing plans established by the trustor. Profits generated by the business are shared with all employees through cash compensation, a contribution to a 401(k) plan, or any configuration established by the trustor.

Employee Ownership Distinctions

The most popular broad-based Employee-Ownership models in the United States are Worker Cooperatives (WCs) and Employee Stock Ownership Plans (ESOPs).⁷ To understand where Employee Ownership Trusts (EOTs) fit within the Employee-Ownership landscape, the chart below differentiates.

EMPLOYEE OWNERSHIP MODELS		
EMPLOYEE STOCK OWNERSHIP PLAN	WORKER OWNED COOPERATIVE	EMPLOYEE OWNERSHIP TRUST
<ul style="list-style-type: none">• Retirement plan, regulated by federal law (ERISA)• Employees gain ownership through company stock held in a trust• Often used in larger firms, due to regulatory complexity and costs• Provides major federal tax advantages, including capital gains exemptions for selling owners	<ul style="list-style-type: none">• Democratic business structure where workers are direct member-owners• Workers directly govern their business on a one-person, one-vote basis• Profits are shared equitably, based on labor contributed• Common among smaller businesses, with less complex regulatory structure than ESOPs	<ul style="list-style-type: none">• A perpetual trust that holds a controlling stake in business on behalf of employees• Trustees obligated to pursue employee benefit & other social purposes in Trust Deed.• Employees benefit through profit-sharing & job security, but typically do not own individual shares• Perpetuity model resists sale to outside parties

Employee ownership at the workplace comes in different forms. An **Employee Stock Ownership Plan** is a trust that allocates shares of the company to employees as a form of retirement plan. A **Worker Owned Cooperative** involves direct democratic ownership by workers, who govern the business on a one-person, one-vote basis. An **Employee Ownership Trust** allocates ownership to a Trust, whose trustees have a permanent obligation to seek the benefit all employees, past and future.

⁵ Johnson, M. (n.d.). *The Emergence of Employee Ownership Trusts in the United States*. Aspen Institute. <https://www.aspeninstitute.org/blog-posts/the-emergence-of-employee-ownership-trusts-in-the-us/>

⁶ Ibid.

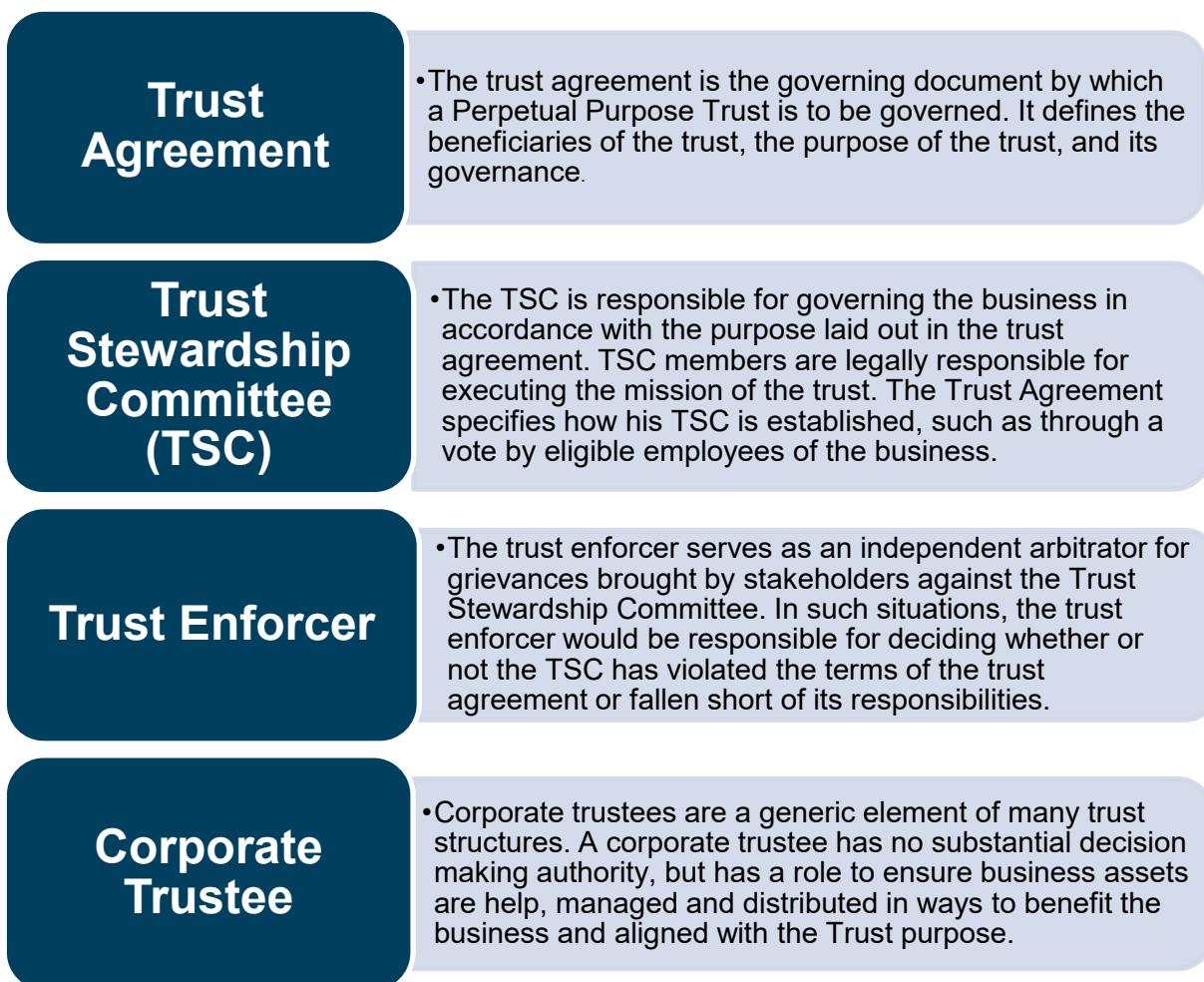
⁷ Ibid, See NCEO Employee Ownership by the numbers.

	ESOP	EOT
Regulated by State or Federal Law?	Federal	State
Complexity	Requires compliance with strict federal ERISA rules, including annual valuations, repurchase obligations, and fiduciary obligations to maximize retirement benefits of employees.	Less complex than ESOPs: no ERISA compliance needed, Governance and trust structure still require legal design and regular trustee oversight.
Ownership	Trust holds stock behalf of employees	A perpetual trust owns the company on behalf of employees; no shares are held by individual owners.
Governance	Founder/Seller often selects Initial Trustee who oversees business adherence to Trust deed; Over time Trustee Board selects Trustee; employees have limited voting rights. Employees are typically passive beneficiaries	Varies: EOT board often includes employee representation; trust deeds often require employee consultation but do not mandate direct voting control. Most employees not engaged in direct management.
Profit Distribution	Shares in company gained over time and share value realized upon employee retirement or departure from company	Very limited benefits in federal tax law.
Federal Tax Status	Multiple tax benefits, including: capital gains tax exemptions, income tax exemptions, tax-free loan interest repayments, dividend deductions, and IRA rollovers.	Very limited benefits in federal tax law.
Trustee Role	Fiduciary duty to maximize financial benefit for current ESOP shareholders, which can result in "demutualization" and sale of company to a traditional private buyer.	Holds company in perpetuity. Company cannot be demutualized or sold to non-employee ownership structure. Trustee required to consider employee benefit, and other purposes embedded in trust deed.

How Does it Work?

EOTs are governed by a trust structure and are regulated by state trust law, which generally respects the wishes of the trustor.⁸ Appointed trustee(s) are the central governing body of the trust and must act in the employee's best interest according to the trust deed; some EOTs appoint individual or committee trust enforcers that oversee trustees and assure their compliance with the trust deed.⁹ Additionally, employee councils or advisory committees can be established to provide elevated employee input.¹⁰

Key Elements of a Perpetual Purpose Trust

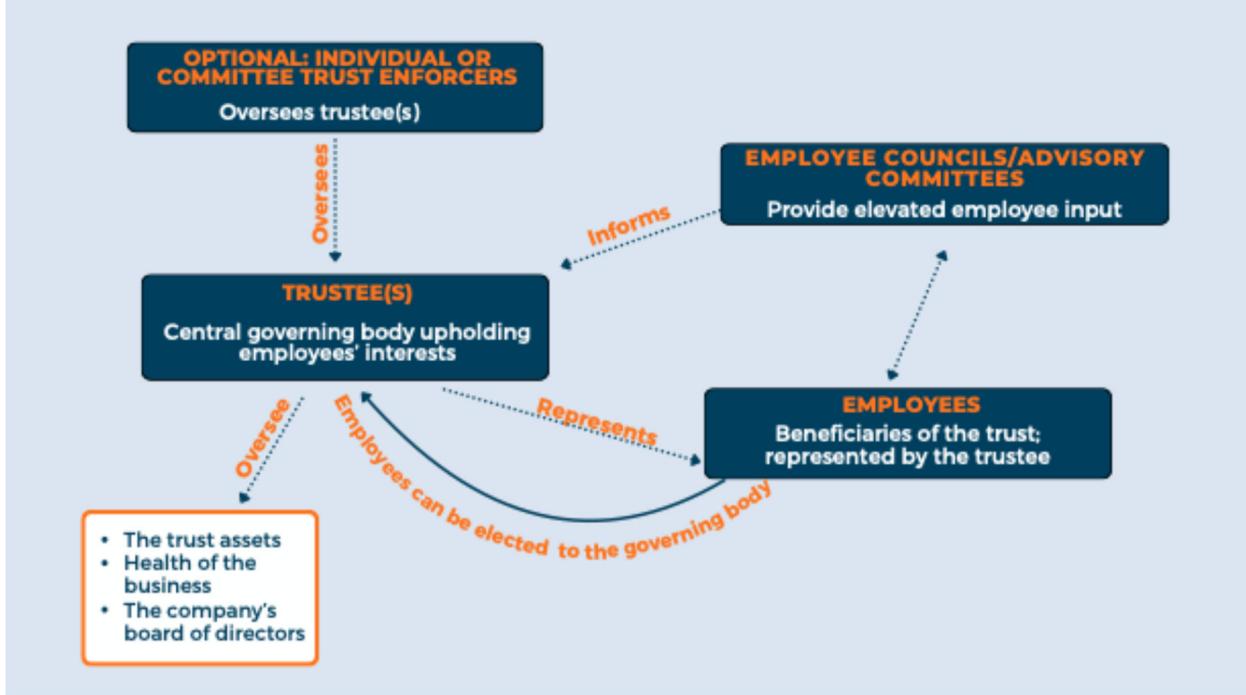


⁸ EOT Advisors. (n.d.). *EOT FAQS*. EOT Advisors. <https://eotadvisors.com/employee-ownership-trust-eot-faqs/>

⁹ Harrison, E. K., & Reitman White, N. (n.d.). *Taking Care of Business: New Approaches to Business Succession Planning*. ACTEC Foundation. https://actecfoundation.org/wp-content/uploads/Lloyd-Leva-Plaine_Jan-14_2025_Chapter-3.pdf

¹⁰ Watson, N. (2025, May 28). *Who runs an employee-owned company? Some governance observations*. Burges Salmon. Retrieved August 7, 2025, from <https://www.burges-salmon.com/articles/102kcno/who-runs-an-employee-owned-company-some-governance-observations/>

THE EOT MODEL



Why EOTs? An ESOP and EOT Comparison

As Colorado business owners retire, Employee Ownership Trusts (EOTs) offer a simpler, more flexible alternative to traditional Employee Stock Ownership Plans (ESOPs). ESOPs are federally regulated retirement plans with high costs, complex rules, and pressure to sell to the highest bidder. EOTs are more flexible, cheaper to set up, and designed to preserve company values and serve its employees. EOTs don't require constant revaluing or repurchasing of shares, avoiding financial burdens and inequality among staff. For small businesses, EOTs offer a practical, mission-driven path to succession that keeps jobs local, rewards employees, and indefinitely serves a social purpose.

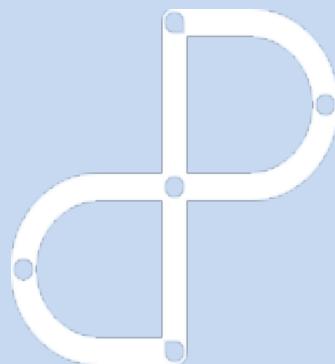
An Employee Ownership Trust is the name used for a Perpetual Purpose Trust created for the purpose of providing ongoing benefit the employees of the company. Since the trust owns the shares of the company, strictly-speaking, this isn't "employee ownership" in the literal definition of the term but is considered a form of employee ownership given the motivations and results of the purpose." -- Local Ocean Seafood, "What is Trust Ownership and How Does a Trust Run a Business?"

local ocean
NEWPORT OREGON

While ESOPs remain the most common form of employee ownership in the U.S., EOTs provide a more agile and inclusive model, particularly well-suited for small, and mid-size businesses. By eliminating the need for individual stock ownership and simplifying governance, EOTs avoid the "haves and have-nots" dynamic often seen in ESOPs. They prioritize shared stewardship, reinvestment in communities, and long-term resilience over short-term financial returns. As interest in EOTs grows nationwide, many employee ownership centers have a unique opportunity to lead by supporting this emerging model, keeping jobs local, values intact, and communities economically stable in the face of generational transition.

"Employee ownership through an employee ownership trust provides us with a stable and equitable structure that has the flexibility to scale and adapt to whatever the future brings...It means we can continue to grow without the involvement of external shareholders so we can maintain full control over the direction of the business and our creative culture."

--Cambridae Design Partnership EOT



Transitioning

For business owners looking to preserve workplace culture, protect their employees, and exit with clarity, setting up an EOT is fairly simple. EOTs generally take 3-18 months to establish depending on the complexity of funding arrangement, business, and trust. On average, initial EOT set-up costs are roughly \$20,000 - \$50,000, with minimal ongoing maintenance costs.¹¹ EOTs are well suited for companies of any size, unlike ESOPs that are better suited to companies with 40+ employees and high Earnings Before Interest, Taxes, and Amortization (EBITA).

¹¹ *A Comparison of Forms of Employee Ownership*. (n.d.). National Center for Employee Ownership. Retrieved August 22, 2025, from <https://www.nceo.org/what-is-employee-ownership/comparison-of-forms-of-employee-ownership>



Establishing an EOT: Key Stages

1

Assess Company Suitability

The first step is to conduct a comprehensive feasibility study. This includes a review of the company's financial health (assets, liabilities, cash flow, and overall profitability) to determine if the business can support a transition to employee ownership. New debt is often required to purchase the business, so cash flow considerations will have to consider capacity of business to take on new obligations. It's also important to assess the cultural and operational readiness of the company for this shift.

2

Consult with EOT Expert

Proper EOT establishment requires specialized knowledge and due diligence. Consulting with experts, such as a trust lawyer and an employee ownership resource center and a trust lawyer, can provide technical assistance and ensure compliance with relevant law

3

Independent Valuation

An impartial third-party valuer is often engaged to determine the fair market value of the business. This valuation serves as the basis for the purchase price the EOT will pay to acquire the company shares. Though independent valuation is a wise step, there is no law requiring such valuation, as opposed to strict federal laws requiring independent and annual valuations of an ESOP.

4

Drafting the Trust Deed

The trust deed outlines the core structure and terms of the EOT. It defines the trust's purpose--to benefit all employees equally--but also might include additional social purposes such as buying local or environmental protection. The trust deed also defines rules around profit distribution, share ownership details, and governance structure such as powers of the Trustee Committee and nature of employee governance participation, as worker representatives are often involved in decisions that significantly affect the workforce or strategic business direction.



Establishing an EOT: Key Stages

5

Appointing Trustees

A trustee board is appointed to oversee the trust in alignment with its mission. Trustee boards typically include a mix of founders, employee representatives, capital investors, community stakeholders, and/or independent advisors. It is critical that trustees understand both the business and the values guiding the EOT structure, as they are responsible for safeguarding employee interests.

6

Arranging Financing and Purchase Agreement

The purchase of the business is typically financed through such strategies as: available cash on the company's balance sheet, owner financing, vendor financing (where the provider of goods or services receives deferred payments over time), social impact investors, community development finance institutions, and traditional business loans.

7

Purchase and Share Transfer

Once financing is arranged, the EOT purchases the shares from the owner, and legal ownership is formally transferred to the trust. Payments to the seller are made according to the agreed-upon timeline, often through a combination of an upfront payment and a series of structured payments from future profits

8

Transition to EOT Ownerships

The transition generally does not require immediate changes to the company's operational structure. To meet EOT goals of employee benefit, EOTs commonly develop programs to support employee development, such as employee workplace councils, leadership and skills development programs, or opportunities to participate in management and financial planning of the business.

SETTING UP THE EOT: DUE DILIGENCE CHECKLIST



Feasibility Must Haves

- Get an Independent valuation to set the purchase price and informs tax consequences
- Consult an EOT advisor or lawyer experts that can guide you through your transition

Trust Design Essentials:

- Draft a Trust Deed that states purpose of the trust and details distributions, trustee powers, trustee removal, and enforcement mechanisms
- Identify a minimum of 3 trustees responsible for enforcing the trust deed
- Create an employee council or advisory committee for meaningful input

Finance Need to Knows:

- Determine current and projected cash flows to help evaluate financing options.

IF you are a seller-owner looking for a gradual transition or a business that might struggle to find funding, consider:

Seller Financing: the EOT purchases the seller shares using future company profits

- **Attributes:** Fully customizable, typical longer repayment, seller-owner involvement post-sale (as an advisor)

IF you are a seller-owner looking for cash on day one and your business has strong financial health and steady financial projections, consider:

Banks, Social Impact Investors, EO funds, or CDFIs: Seller-owners are provided a sum on day-one by the loan secured by the EOT and is paid off by future revenue generated by the EOT

Potential Benefits: CDFIs and social impact investors are likely to have experience loaning to employee-ownership transitions and are looking to invest in EOT transactions.



Implementation Questions: Ask Yourself

- Have you drafted and signed the trust deed and transfer documents?
- Are trustees appointed and oriented?
- Has the share transfer to the trust actually occurred (closing)?
- Is financing finalized and funds transferred?
- Has an employee communication and rollout plan been scheduled?
- Is a management or leadership succession plan in place for post-transition?
- Have employees received basic ownership education or training?

If you have one or more **NOs**, reach out to an advisor for assistance



If your answer is always **YES**, continue the transition



Closing the Transition: What to Check

- Are all legal, tax, and corporate filings complete (trust registration, amendments to bylaws, lender documents)?
- Has the seller received an agreed-upon payment (or first installment)?
- Have employees been briefed on what has changed and what stays the same?
- Are governance and reporting calendars set for the first year (trustee meetings, financial reports)?

If you have one or more **NOs**, go back, get help, and come back



If your answer is always **YES**, Congrats! You can close the transition

You Made it! Next Step: Operating as an EOT

- Is there a clear process for ongoing trustee oversight and decision-making?
- Are profit-sharing or distribution policies being followed?
- Are employee councils or advisory bodies active and informed?
- Are regular financial reports shared with trustees and employees?
- Is there a plan for periodic review of the trust deed, governance, and finances?
- Are regular "health checks" scheduled for governance, finances, and employee engagement?

If you have one or more **NOs**, ask for support from local or national partners or ask other EOTs for advice



If your answer is always **YES**, Great Job! You have a great system in place

FINANCING THE EOT: SOURCES OF CAPITAL

EOT transitions heavily benefit from their flexible and diverse means of financing, often blending internal and external resources. Some financing options available to an EOT conversion are:

External Sources	
Traditional Commercial Lenders	For companies that have a strong and steady cash flow, traditional commercial lenders can provide cost-effective financing based on company assets, cash flows, and revenue projections.
Mezzanine Debt	EOT pays a portion of the cash up front and borrows the rest from a social impact lender. Typically incurs higher interest rates because the lender assumes more risk, but offers customizable repayment options – such as deferred payments or partial equity.
Silent Third-Party Equity	Capital provided by investors, foundations, or mission-aligned funds that offer equity without seeking control. These investors benefit from long-term equity appreciation and a future buy-back of shares.
Vendor Financing	Financing provided by key vendors as part of a contractual relationship. This option is particularly viable if the company transitioning to an EOT is critical to the vendor's supply chain.
Internal Sources	
Seller Notes	Seller owner finances part or all of the transaction, agreeing to be paid out over time through debt notes or earn-out agreements. An EOT can payout an agreed percentage per dollar of operating profits until the seller is made whole, for example.
Company Share Buybacks	Retained earnings are deployed to gradually repurchase shares from the seller owner, spreading out taxation over time and de-risking the seller owner's risk.
Balance Sheet Cash	Reserves, if available, can be used to wholly or partially finance the transaction – minimizing the EOTs debt obligations and simplifying the transition.
Direct Employee Share Purchases	Employees invest personal capital to directly purchase shares and finance the transaction.

EOT financing flexibility presents an opportunity for small business owners that lack a financial succession plan. The cost, ease, and options available to retirees ensures they can exit with dignity, preserve their company values, and reward the employees that sustain it.

THE ROLE OF PUBLIC POLICY IN NURTURING EOT GROWTH

Federal Policy

Currently, there are no federal policies that support EOT formation or conversion. The following list of federal policies present an opportunity for EOTs to be included and benefit from the same tax advantages as ESOPs.

Federal Policies			
Policy/Law	Applies to	Provision	Impact/Limitation
IRC § 1042	ESOPs	Allows owners selling >30% of stock to an ESOP to defer capital gains tax by reinvesting in Qualified Replacement Property	Strong tax incentive for C corp owners to sell to an ESOP.
IRC § 501(a)	ESOPs	Grants tax-exempt status only to organizations described under §§501(c) or (d) or §401(a); ESOPs are tax-exempt because they are qualified trusts under §401(a)	Incentivizes ESOP transitions through capital gains tax exemption
IRC § 1361	ESOPs	Limits S corp shareholders to individuals, estates, QSSTs, ESBTs.	Grants ESOPs S corp status and pass through tax advantages
*Employee Ownership Fairness Act (S. 1727)	ESOPs	Seeks to resolve conflicts between ESOP stock contributions and retirement plan contribution limits under ERISA and IRC	Proposed 2025
*Employee Ownership Representation Act (S. 1728)	ESOPs	Would add employee ownership representatives to the ERISA Advisory Council.	Proposed 2025

STATE LEVEL EOT POLICY LANDSCAPE

TRUST-CODE ENABLING LANGUAGE

Only **Oregon** (ORS §130.19) has amended state trust law to explicitly allow creation of a non-charitable “stewardship trust” for business purposes without a definite beneficiary, and permits the trust to hold ownership interests in corporations, LLCs, co-ops, etc. This is the clearest state-level trust law written to enable perpetual stewardship-style EOTs.

Colorado’s Revised Statutes (CRS §39-22-542) include a statutory definition of employee ownership trusts, but the state has not expressly amended its state trust code to recognize EOTs.

TAX CREDITS AND FINANCIAL ASSISTANCE

Colorado Legislation provides several tax incentives for EOT conversion.

- HB 23-1081 allows tax credits up to \$40,000 for costs incurred in EOT conversion, or \$25,000 for costs of a business expanding its employee ownership percentage.
- HB 24-1157 creates income tax credit up to \$50,000 to cover 50% of costs in a new EOT conversion.
- HB 25-1021 creates an income tax subtraction for state capital gains that are realized by a business owner selling to an EOT.

Washington statute (RCW 82.04.4488) establishes tax credits for conversion costs when a business converts to a worker-owned co-op, employee ownership trust, or ESOP. The credits are dependent on unpredictable state funding support, which ended in 2025.

STATE- SUPPORTED TECHNICAL ASSISTANCE HUBS

Several states have established state offices or supported non-state education and technical assistance hubs for businesses considering EOT conversion.

- **Colorado** has established an official Employee Ownership Commission, and offers EO technical assistance and grant programs through its Office of Economic Development and International Trade. State support is also provided to non-profit technical assistance hubs like the Colorado Center for Community Wealth Building and the Rocky Mountain Employee Ownership Center.
- **California**’s Employee Ownership Act created a state-funded Employee Ownership Hub, managed by the California Office of the Small Business Advocate
- **Massachusetts** offers a state-funded Center for Employee Ownership.
- **Michigan**’s state-funded Economic Development Corporation recently partnered with the Michigan Employee Ownership Center to administer a \$500,000 pilot program providing technical assistance to employee ownership conversion efforts.
- **Washington** maintains an Employee Ownership Commission and created a state employee ownership office within the Dept. of Commerce.

This list is not exhaustive, but covers some of the most important EOT-supportive public policy that exists nationwide. Overall, EOT policy remains thin or non-existent in most states.

Colorado Policy

The table below details the extent of Colorado's Employee Ownership policy infrastructure. Colorado recognizes EOTs as a valid form of employee-ownership but could benefit from policies that specifically recognize, target, and incentivize EOT conversions as a distinct EO opportunity for business owners.

Policy/Law	Year	Applies to	Provision	Impact/Limitation
Uniform Limited Cooperative Association Act		Worker Cooperatives	Worker Cooperatives designated as "LCAs" are permitted to admit external investors as members with voting rights	Improved Worker Cooperatives Access to Capital
HB17-1214	2017	OEDIT, WCs, ESOPs	Requires the OEDIT to collaborate with local nonprofits to expand employee ownership awareness; Established a revolving loan program to assist transitions to employee-ownership	Encourage Employee Ownership of Existing Small Business
Executive Order D 2019 005	2019	-	Established the Commission on Employee Ownership, whose purpose is conducting research on employee-ownership and offering policy recommendations to the state to broaden its reach	Created an entity within the state to promote and facilitate employee-ownership
HB21-1241	2021	OEDIT	Repealed HB17-1214's loan programs statutory eligibility requirements. Making OEDIT the sole party responsible for establishing loan criteria	Gave OEDIT the license to define EO thresholds
HB21-1311	2021	New Worker Cooperatives, EOTs, ESOPs	Temporary income tax credit for up to 50% of conversion costs (up to 25k for WCs & EOT; 100k for ESOPs) for new (7 years or younger) employee-owned enterprises	Incentivize EO through favorable tax structure. Made \$10 million in tax credits available annually
HB23-1081	2023	Worker Cooperatives, EOTs, ESOPs	Increased the claimable tax credit available for WCs and EOTs from \$25,000 to \$40,000; and from \$100,000 to \$150,000 for ESOPs.	Deepened tax incentives for EO conversions
HB24-1157	2024	New Worker Cooperatives, EOTs, ESOPs, OEDIT	Codified Employee Ownership Office as statutory entity within OEDIT. Appropriated \$145,847 from the general fund for employee ownership office use. Created a refundable tax credit for income years 2025 - 2029	Created a statutory EO institution to administer and aid in EO transitions and incorporations. Renewed tax incentives.

			for up to 50% of conversion costs of new employee-owned enterprise	
HB25-1021	2025	Worker Cooperative, EOT, ESOP	Capital gains tax subtraction for qualified business owners that sells at least 20% of business to qualified employee-owned business; Enables worker cooperatives to subtract up to \$1 million in income tax; Extends tax credit conversion program through income tax years commencing in 2031; Sets the aggregate amount of credits that can be claimed at \$3 million; expanding the percentage of conversion or expansion costs eligible for the credit from 50% to 75%.	New tax subtractions, extended and deepened conversion costs covered by tax credit

US Policies Inclusive of EOTs

The table below encompasses enacted and proposed policies across the United States that include, reference, or directly target Employee Ownership Trusts.

US EO Policy Tracker				
State	Year	Summary	Status	Bill
Access to Capital				
Colorado	2017	<ul style="list-style-type: none"> -Requires Colorado OEDIT to engage the services of local nonprofits that support EO to educate OEDIT staff on the merits and forms of EO so that the office may promote employee-ownership as apart of its small business assistance center -Establishes a revolving loan program to assist existing small business transitions to employee-ownership. Eligibility requirements to be established by OEDIT and published on its website - Authorizes the office to accept and expend gifts, grants, and donations to capitalize the program, and may annually keep the first 15% of the money raised for administration purposes. 	Passed	Bills HB17-1214
Massachusetts	2010	Established within the Massachusetts Growth Capital Corporation a separate fund to be known as the Employee-Ownership Revolving Loan	Passed	MA Gen L ch 23d § 16 (2023)

		Fund, the proceeds of which shall be used to provide low interest long term loans to individuals for the purchase of such individual's ownership interest in an employee-owned business.		
Massachusetts	2023	Provided funding to state EO center, earmarking \$300,000 for FY2023, \$150,000 for FY2024, and \$200,000 for FY2025	Passed	
Minnesota	2023	Creates the community wealth-building grant program to fund grants to community development financial institutions and nonprofits to make low interest loans to cooperatives, employee-owned businesses, and commercial land trusts that are at least 51 percent owned by people who are Black, Indigenous, People of Color, immigrants, low-income, women, veterans, or people with disabilities. Appropriates \$15,000,000 from the general fund for this program.	Passed	HF 3733
Comprehensive State Law				
California	2023	<p>-Established Employee Ownership Hub within the California Governor's Office of Business and Economic Development.</p> <p>-Hub is mandated to: (1) work to enhance opportunities and reduce barriers to EO, (2) educate business owners and employees about EO, (3) provide legal, technical, and financial resources for employee ownership conversions to desiring business owners, (4) develop recommendations on how state-run capital programs can support employee-ownership transitions, and (5) report to the legislature.</p> <p>*No funds appropriated, future uncertain</p>	Passed *	SB1407
Massachusetts	2022	Made state employee ownership center permanent under the Massachusetts Office of Business Development, with outreach, grants, and an advisory committee.	Passed	Bill S.261
Washington	2023	<p>-Established EO program with director housed in Washington State Dept of Commerce.</p> <p>- Created oversight committee featuring legislators, private business owners, employee-owners, development specialists, and a member from the department of commerce.</p> <p>- Created tax credit for ESOPs, worker coops, and EOTs of up to 50% of the first \$100,000 for ESOPs and \$25,000 for worker coops and EOTs. The total amount of credits is capped at \$2 million per year.</p>	Defunded and Sunset as of June 2025.	S.B. 5096

		- Created a revolving loan fund that would directly support financing for ESOP or worker cooperative conversion transactions.		
Delaware	2008	Authorized the creation of Noncharitable Perpetual Purpose Trusts	Passed	SB 247
State EO Program				
Illinois	1995	The Center would be tasked with fostering greater awareness of employee ownership as a business succession and job retention strategy by disseminating information on employee ownership, providing technical assistance, convening conferences and workshops on business ownership succession and employee ownership, and coordinating with economic development organizations, business and labor groups, nonprofits, and other stakeholders to advance the Center's mission.	Passed	P.A 89-364
Indiana	2025	Bill would create and fund an Indiana Employee-Owned Business Resource Center; Provide education and awareness concerning the benefits of employee ownership and employee ownership succession. Provide technical assistance to: (A) employees seeking to start an employee-owned business; or (B) business owners exploring the possibility of transferring full or partial ownership to employees. Train employees and employers with respect to methods of employee participation in open-book management, work teams, committees, and other approaches for seeking greater employee input. Create and manage an employee ownership referral service that connects business owners and employees with local legal, financial, and technical advisers. Conduct research, studies, and analyses concerning employee ownership. The bill would also create a low-interest revolving loan program. It does not specify a funding amount for the fund. The fund could also accept outside donations.	Passed	S. Bill 175
EO Incentive				
Massachusetts	2025	- If passed, the bill requires that small business owners offer a 30-day right of first refusal to a "qualified employee group" in the event that the owner chooses to sell the company in an equity sale. Employees must be told about employee ownership as an option and how to get information from the Massachusetts Employee Ownership Center.	Proposed	Bill H.503 S.305

		<p>Employees will have 180 days to make a competing offer if they notify the owner within 30 days of their intent to do so. If the offer is for as much or more than any other bona fide offer during that time, the owner must sell to the employees.</p> <p>- Owners selling to qualified employee group would receive a capital gains exception on the first \$1 million of the sale.</p>		
Massachusetts	2025	If passed, would exempt capital gains from the sale of a Massachusetts business with 500 or fewer employees from capital gains taxation	Proposed	S. 1950
Michigan		<p>-\$500,000 pilot program designed to expand access to employee ownership for Michigan's businesses and workers.</p> <p>- The program allocates \$400,000 to help businesses pay for feasibility assessments and other costs of setting up a plan.</p> <p>- The MICEO will lead a statewide marketing and outreach program. The MICEO will also develop best practices for employee ownership trusts (EOTs)</p>		New \$500,000 pilot to expand employee ownership opportunities
Enabling Environment				
Oregon	2019	Permits the creation of a noncharitable business purpose trust, called "stewardship trusts", exempt from the rule against perpetuities	Passed	ORS 130.193
Texas	2023	Permits the creation of a perpetual noncharitable purpose trust without an ascertainable beneficiary	Passed	HB 2333
State Funding for EO Center				
Vermont	2006	The Vermont Employee Ownership Center (VEOC) has received grant funding annually from the State of Vermont's Agency of Commerce and Community Development (ACCD) since approximately 2006		Vermont Employee Ownership

Perpetual Purpose vs. Purpose Trust

Through the use of a noncharitable purpose trust, business owners can set up an EOT and center their enterprise in a social purpose – namely, employee welfare. Depending on each State's trust code, EOTs can lock-in their social purpose *indefinitely*. The chart below captures states with a statutory rule against perpetuities (RAP) and states that exempt noncharitable purpose trusts from the RAP.

Perpetual Purpose Regulations by State*				
State	Adopted UTC	Purpose Trust Limited to 21 Years?	Time Frame Limit of Purpose Trusts	Statutory Section
Alabama	Yes	Yes	21	Ala. Code 1975 section 19-3B-409
Arizona	Yes	No	90 years	Ariz. Rev. Stat. section 14-10409
Arkansas	Yes	Yes	21	Ark. Code Ann. section 28-73-409
Colorado	Yes	Yes	21	Colo. Rev. Stat. Ann. section 15-5-409
Connecticut	Yes	No	90 years	Conn. Gen. Stat. Ann. section 45a-499cc
District of Columbia	Yes	Yes	21	D.C. Code section 19-1304.09
Florida	Yes	No	1,000 years	Fla. Stat. Ann. section 736.0409
Hawaii	Yes	No	None specified	Haw. Rev. Stat. section 554D-409
Illinois	Yes	Yes	21	760 Ill. Comp. Stat. section 3/409
Kansas	Yes	Yes	21	Kan. Stat. Ann. section 58a-409
Kentucky	Yes	No	None specified	Ky. Rev. Stat. section 386B.4-090
Maine	Yes	No	Perpetual	Me. Rev. Stat. Ann. tit. 18-B, section 409
Maryland	Yes	Yes, unless settlor elects otherwise	Settlor selects timeframe	Md. Code, Est. & Trusts section 14.5-408

Massachusetts	Yes	No	Common Law Rule Against Perpetuities Applies	Mass. Gen. Laws Ann. ch. 203E, section 409
Michigan	Yes	No	25 years	Mich. Comp. Laws Ann. section 700.7409
Minnesota	Yes	Yes	21	Minn. Stat. Ann. section 501C.0409
Mississippi	Yes	Yes	21	Miss. Code Ann. section 91-8-409
Missouri	Yes	Yes	21	Mo. Rev. Stat. section 456.4-409
Montana	Yes	Yes	21	Mont. Code Ann. section 72-38-409
Nebraska	Yes	Yes	21	Neb. Rev. Stat. section 30-3835
New Hampshire	Yes	No	Perpetual	N.H. Rev. Stat. section 564-B:4-409
New Jersey	Yes	No	None Specified	N.J. Stat. Ann. section 3B:31-25
New Mexico	Yes	Yes	21	N.M. Stat. Ann. section 46A-4-409 (1978)
North Carolina	Yes	Yes	21	N.C. Gen. Stat. Ann. section 36C-4-409
North Dakota	Yes	No	None Specified	N.D. Cent. Code section 59-12-09
Ohio	Yes	Yes	21	Ohio Rev. Code section 5804.09
Oregon	Yes	No	90 years	Or. Rev. Stat. section 130.190
Pennsylvania	Yes	Yes	21	20 Pa. Cons. Stat. Ann. section 7739

South Carolina	Yes	No	Common Law Rule Against Perpetuities Applies	S.C. Code section 62-7-409 (1976)
Tennessee	Yes	No	360 years	Tenn. Code Ann. section 35-15-409
Utah	Yes	Yes	21	Utah Code Ann. sections 75-7-409, 75-2-1001 (1953)
Vermont	Yes	Yes	21	Vt. Stat. Ann. tit. 14A, section 409
Virginia	Yes	Yes	21	Va. Code Ann. section 64.2-727
West Virginia	Yes	No	Statutory Rule Against Perpetuities Applies	Wis. Stat. Ann. section 44D-4-409
Wisconsin	Yes	No	None Specified	Wis. Stat. Ann. section 701.0409
Wyoming	Yes	No	Perpetual	Wyo. Stat. section 4-10-410 (1977)

(*Source: Harrison, E. K. (2024, May 20). *Purpose Trusts and Steward Ownership*. Tax Notes. Retrieved July 14, 2025, from <https://www.taxnotes.com/special-reports/trusts-and-estates-taxation/purpose-trusts-and-steward-ownership/2024/05/17/7jhjq#7jhjq-0000001>)

POLICY RECOMMENDATIONS TO GROW EOTS

FEDERAL POLICY RECOMMENDATIONS

ADVOCATE FOR FEDERAL PARITY IN TAX TREATMENT

- Amend IRC § 501(a) to recognize EOTs as qualifying entities, granting them the same federal tax exemptions as ESOPs.
- Include EOTs under IRC § 1042 to make them eligible for capital gains tax deferrals.
- Amend IRC § 1361 to allow EOTs to be eligible shareholders of S corporations, ensuring EOT-owned S corps receive passthrough tax benefits.

COLORADO STATE POLICY RECOMMENDATIONS

LEGITIMIZE EOTS IN STATE LAW

Enact a State Statute Explicitly Authorizing EOTs (modeled on Oregon's ORS 130.193) with provisions to:

- **Define EOTs in Statute:** Recognize them as perpetual trusts for the benefit of current and future employees, embedding social purpose(s).
- **Authorize Umbrella Ownership:** Allow EOTs to own corporations, LLCs, cooperatives, partnerships, or other entities, including "roll-up" ownership across businesses.
- **Establish Trust Governance & Oversight:** Require fiduciary trustees, trust protectors/enforcers, and employee advisory councils for participatory governance
- **Clarify Fiduciary Accountability & Protections:** Mandate trustees act according to stewardship committee directives (except in conflict with fiduciary duty) and provide liability protections for good-faith actions.
- **Enable Perpetuity & Mission Durability:** Allow EOTs to exist indefinitely, with modifications/dissolution only by unanimous approval of both stewardship committee and enforcers.
- **Mandate Transparency & Accountability:** Require annual trustee reporting on finances, ownership structure, employee participation, and trust purpose.
- Provide sample trust deeds and best-practice models for business owners through OEDIT or nonprofit partners.

Worker Cooperatives, EOTs offer a practical, values-driven model that centers long-term stewardship, shared prosperity, and community resilience. Their ability to preserve

PROVIDE FAVORABLE TAX TREATMENT	<ul style="list-style-type: none">Raise the EOT Tax Credit Cap to \$100,000<ul style="list-style-type: none">Increase the current \$40,000 cap for EOT conversions to \$100,000 to bring it closer to the \$150,000 cap for ESOPs.Expand Tax Relief Opportunities<ul style="list-style-type: none">State income tax deductions/credits for sellersState corporate income tax relief for EOT-owned businessesProperty tax incentivesTax-Exemption on Interest Income
PASS PREFERRED PROCUREMENT POLICIES FOR EOTS	<ul style="list-style-type: none">States can promote employee ownership by extending procurement bid preferences to employee-owned companies, EOTs.Colorado offers related models, including, Bid preferences for Service-Disabled Veteran-Owned Businesses, the Statewide Supplier Diversity Progra, and purchasing preferences for environmentally preferable products under CRS § 24-103-904.States could design purchasing preference programs for employee-owned businesses (including EOTs), allowing their bids to be up to 10% higher than competing offers while still qualifying for preference.
CATALYZE A STRONGER EOT-SUPPORT ECO-SYSTEM	<ul style="list-style-type: none">Better EOT Data Collection and Evaluation Programs<ul style="list-style-type: none">Fund OEDIT, the Employee Ownership Office, or nonprofits to track key EOT metrics (e.g., number of conversions, demographics, job retention, reinvestment outcomes).Use evaluation to strengthen future policy and make the public benefits of EOTs measurable and visible.Establish a Dedicated EOT Advisory Grant Fund<ul style="list-style-type: none">State employee-ownership assistance agencies could be directed to administer a new technical assistance fund that subsidizes EOT-specific third-party advisory services, including assistance with feasibility studies, legal structuring, trust deed design, valuation, and governance planning, employee education programs, and owner/management workshops, and a EOT conversion toolkit.A Centralized Knowledge and Resource Hub<ul style="list-style-type: none">Supplement the knowledge gap about EOTs through a digital EOT Resource Hub focused on legal resources, conversion checklists and best practices, financial modeling, financing guidance, case studies, and troubleshooting guidesCertification & Recognition<ul style="list-style-type: none">Create EOT-friendly certifications for companies, advisors, and trustees, helping raise public recognition of employee-owned businesses and open new opportunities in public and private markets.

CONCLUDING REMARKS

Employee Ownership Trusts (EOTs) represent a pivotal next step in the evolution of employee ownership in the United States. Building upon the legacies of ESOPs and Worker Cooperatives, EOTs offer a practical, values-driven model that centers long-term stewardship, shared prosperity, and community resilience. Their ability to preserve company purpose in perpetuity makes them uniquely suited to address today's twin challenges of economic inequality and mass small-business succession.

For retiring owners, EOTs provide a dignified and mission-aligned path to transition, one that keeps businesses independent, local, and employee-centered. For employees, they offer meaningful participation in governance and a direct share in the wealth they help create. For policymakers, EOTs present an opportunity to strengthen the economic fabric of their states by anchoring good jobs and local ownership for generations.

Colorado and a growing number of states are laying the groundwork for an enabling policy environment that recognizes the promise of EOTs. By extending existing incentives, legitimizing EOTs in statute, and investing in education and advisory infrastructure, policymakers can help this model scale responsibly and equitably.

The continued growth of the EOT movement depends on collaboration among business owners, employees, advisors, advocates, and governments. Together, these stakeholders can transform the “Silver Tsunami” of ownership transitions into a generational opportunity for shared wealth, stable communities, and economic democracy. EOTs are not merely a new ownership form; they are a pathway to embed purpose, participation, and prosperity at the heart of the American enterprise.

EMPLOYEE OWNERSHIP RESOURCES

Research, Data, Consultancy, Info Resource

National Center for Employee Ownership (NCEO)	https://www.nceo.org/
Project Equity	https://project-equity.org/
Rutgers Institute for the Study of Employee Ownership and Profit Sharing	https://smlr.rutgers.edu/faculty-research-engagement/institute-study-employee-ownership-and-profit-sharing
The Democracy Collaborative	https://www.democracycollaborative.org/
Aspen Institute	https://www.aspeninstitute.org/

Conversion Advisor, Service Provider, Legal Expert, or Lawyer

Common Trust	https://www.common-trust.com/
EOT Advisors	https://eotadvisors.com/
EOT Law	https://eotlaw.com/
Holland & Hart, LLP	https://www.hollandhart.com/
Deborah Groban Olson, PLLC	https://www.esoplaw.com/
Purpose Owned	https://www.purposeowned.com/
Lumo Group	https://lumogroup.co/
Tuttle Law Group	https://www.cooplawgroup.com/
Graeme Nuttall, OBE	eotrustee.com/
Jenny Kassan	https://www.jennykassan.com/

Supports network of state employee ownership offices

Employee Ownership Expansion Network (EOX)	https://www.eoxnetwork.org/
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California Center for Employee Ownership	https://calosba.ca.gov/for-small-businesses-and-non-profits/employee-ownership-hub/
Colorado Employee Ownership Office	https://oedit.colorado.gov/colorado-employee-ownership-office
Florida Center for Employee Ownership	https://www.flceo.org/
Georgia Center for Employee Ownership	https://www.gaceo.org/
Indiana Center for Employee Ownership	https://inceo.org/
Massachusetts Center for Employee Ownership	https://www.mass.gov/info-details/massachusetts-center-for-employee-ownership
Michigan Center for Employee Ownership	https://www.miceo.org/
Minnesota Center for Employee Ownership	https://mnceo.org/
New Jersey/New York Center for Employee Ownership	https://smlr.rutgers.edu/nj-ny-center-employee-ownership#:~:text=The%20New%20Jersey%2FNew%20York,New%20Jersey%20and%20New%20York.
Ohio Employee Ownership Center	https://www.oeockent.org/
North Carolina Employee Ownership Center	https://nceoc.org/
Pennsylvania Center for Employee Ownership	https://ownershippennsylvania.org/
Rocky Mountain Employee Ownership Center	https://www.rmeoc.org/
Tennessee Employee Ownership Center	https://www.tnceo.org/
Texas Center for Employee Ownership	https://www.txceo.org/
Alabama Center for Employee Ownership	https://www.alceo.org/
Connecticut Center for Employee Ownership	https://www.ctceo.org/
Illinois Center for Employee Ownership	https://www.il-ceo.org/

Iowa Center for Employee Ownership	https://ia-ceo.org/
Missouri Center for Employee Ownership	https://moceo.org/
Vermont Employee Ownership Center	https://www.veoc.org/
Washington Center for Employee Ownership	https://www.employeeownershipwa.org/
Wisconsin Center for Employee Ownership	https://www.wiceo.org/
Field Building Organization	
1Worker1Vote	https://www.facebook.com/1worker1vote/
Beyster Institute	https://rady.ucsd.edu/why/centers/beyster/index.html
Certified Employee Owned	https://www.certifiedeo.com/
Democracy at Work Institute	https://institute.coop/
Fifty by Fifty	https://www.fiftybyfifty.org/
ICA Group	https://www.icagroup.org/
US Federation of Worker Cooperatives	https://www.usworker.coop/en/
University of Wisconsin Center for Cooperatives	https://uwcc.wisc.edu/
Workers to Owners Collaborative	https://becomingemployeeowned.org/workers-to-owners/
Trade Association	
National Cooperative Business Association CLUSA International	https://ncbaclusa.coop/
The ESOP Association	https://www.esopassociation.org/
Loan Funds/CDFIs	
Baltimore Roundtable for Economic Democracy	https://baltimoreroundtable.org/

Capital Impact Partners	https://www.capitalimpact.org/
Cooperative Fund of New England	https://cooperativefund.org/
Detroit Community Wealth Fund	https://www.detroitcommunitywealth.org/
Local Enterprise Assistance Fund	https://leaffund.org/
National Cooperative Bank	https://www.ncb.coop/
Shared Capital Cooperative	https://www.ncb.coop/
Seed Commons	https://seedcommons.org/
The Working World	https://www.theworkingworld.org/us/
Natural Investments	https://naturalinvestments.com/

Investment Funds

Endeavor Capital	https://endeavour.com/
Fund for Employee Ownership, Evergreen Cooperatives	https://www.evgo.com/tfeo
Fund for Jobs Worth Owning, ICA Group	https://www.jobsworthowning.org/
Inclusive Capitalism Fund, American Working Capital	https://www.awcfund.com/
Long Point Capital	https://www.longpointcapital.com/
Middle Bridge Capital Blueprint Fund	https://www.midbridge.com/
Mosaic Capital Partners	https://www.mosaic-cp.com/

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