

# WA Employee Ownership Program

House CPB Committee Work Session

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Washington State  
Department of  
**Commerce**

# Agenda

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INFRASTRUCTURE AND BROADBAND



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COMMUNITY SERVICES



CRIME VICTIMS AND PUBLIC SAFETY



ECONOMIC DEVELOPMENT

# WA Employee Ownership Program (WA EOP)

The WA Employee Ownership Program (WA EOP) is a pioneering state-led initiative that demonstrates how government-backed efforts can drive widespread adoption of employee ownership and enhance economic resilience.

By offering financial incentives, supporting diverse ownership models, and providing education and technical assistance, the program fosters business transitions to employee ownership. Oversight by a Governor-appointed commission ensures accountability and stakeholder engagement, positioning WA EOP as a model for promoting sustainable, inclusive economic growth.



# 1.1. Employee Ownership Structures

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Employee ownership is a business model where employees hold a stake in the company, typically through ESOPs, worker cooperatives, or Employee Ownership Trusts (EOTs). These models **boost employee engagement, drive company success, and provide financial security** for workers, creating a more **motivated and productive workforce** while fostering **long-term economic stability**.

As of the most recent data available, Washington State is home to approximately 200 Employee-owned

- **125 Employee Stock Ownership Plans (ESOPs)**. These ESOPs impact around **35,000 workers** across various industries
- **73 (Co-ops)**, Worker-owned Cooperatives
- **2 Employee-owned Trusts**

## 2. WA EOP “The Program”

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The Washington Employee Ownership Program (WA-EO), was established by the Legislature in 2023 through SB 5096 (RCW 43.330.590), to **promote employee ownership statewide**. Administered by the Department of Commerce and overseen by the Washington Employee Ownership Commission, the program supports businesses operating as, or transitioning to, employee ownership structures.

The key mandates of the legislation are to:

- ✓ Educate businesses on the benefits of employee ownership
- ✓ Assist owners and workers in accessing available resources.
- ✓ Remove barriers to operating and transitioning to employee-owned structures.
- ✓ Offer tax incentives for businesses transitioning to employee ownership.
- ✓ Encourage the growth of the employee ownership structures by expanding the employee ownership act
- ✓ Create loan and grant opportunities, subject to funding availability, to support conversion costs.

# 3. WA EOP “The Commission”

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The WA Employee Ownership Program (WA-EOP) Commission, appointed by the Governor, serves as an advisory board that meets quarterly to provide recommendations and support for program initiatives. It consists of a diverse group, including four legislators, five private-sector representatives, and two public-sector experts, ensuring broad expertise in shaping employee ownership policies.

## Highlights:

- Developed the operational framework for the Commission’s activities, including bylaws, governance structure, and procedural guidelines to ensure effective and transparent operations.
- The Commission held three public meetings to provide input and recommendations to Commerce, with participation from leading state and national organizations. Regular attendees included the National Center for Employee Ownership (NCEO), the ESOP Association, and the Washington Center for Employee Ownership (WACEO).
- Provided strategic guidance on the development process of Washington Administrative Code (WAC), ensuring clarity, compliance, and alignment with regulatory requirements.

# 4. Launching the WA EOP Program

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## Under Commerce's stewardship the WA State Employee Ownership Program in 2024

- ✓ Established the Washington State Office of Employee Ownership and appointed the inaugural program manager in February 2024.
- ✓ Strengthened partnerships with state and federal agencies, as well as community organizations, to enhance collaboration and support for WA-EOP. Key partners include the Office of Employee Ownership at **the U.S. Department of Labor**, the **National Center for Employee Ownership**, the **National Association of Employee Ownership**, the **Washington Center for Employee Ownership**, the Washington Small Business Development Center (SBDCs), and the Washington Economic Development Association (**WEDA**).
- ✓ Began drafting Washington Administrative Code (WAC) regulations for the Employee Ownership Program.
- ✓ Partnered with the Department of Revenue (DOR) to implement the employee ownership tax credit, effective July 1, 2024, with five companies already enrolled, and initiated development of an interagency data-sharing agreement.



# 5. Tax Credit – Effective July 1<sup>st</sup>, 2024

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Eligible businesses converting to an employee ownership structure can claim a B&O tax credit to offset legal, administrative, and consulting costs.

Transitioning to an Employee Ownership Program (EOP) is a valuable but complex process, requiring careful planning and investment, with **costs starting at \$150K and a timeline of 1 to 2 years.**

- **Eligibility:** Businesses must incur qualified conversion costs and submit required documentation via their My DOR account.
- **Approval:** Applications are processed on a first-come, first-served basis until the annual \$2 million cap is reached.
- **Credit Limits:** Businesses can receive 50% of eligible conversion costs—up to \$25,000 for cooperatives or trusts and \$100,000 for ESOPs.
- **Carryover:** Unused credits can be carried forward for up to 12 months.

# 6. WA EOP Key Initiatives for 2025

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**1. Establishing clear and comprehensive regulations** to support the implementation and operation of the Employee Ownership Program. This includes drafting, reviewing, and finalizing WAC provisions to ensure legal clarity, program consistency, and effective governance.

**2. Launching and promoting the Employee Ownership Technical Assistance Program** with tailored technical assistance, conduct targeted outreach to raise awareness of employee ownership benefits, and perform a comprehensive market study to identify key opportunities, challenges, and barriers businesses face in the transition process.

**3. Expanding and Strengthening Strategic Partnerships** with national and statewide organizations to expand resources and support for businesses considering employee ownership.

**4. Optimizing the tax credit expense reimbursements to** fully leverage the state's \$2 million:

- Increasing awareness of the program's benefits.
- Guiding businesses on eligibility and application procedures.
  - \$500,000 in reimbursement already in the pipeline
- Providing targeted assistance to ensure successful fund utilization for employee ownership transitions.

# 7. Conversion Potential for keeping businesses in Washington State

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The WA-EOP is strategically positioned to impact the business community, especially with **business retention, equity support, and a focus on living wage jobs.**

- 70,000 businesses owned by individuals aged 55 and older
  - represent 682,000 employees
  - contribute \$30 billion in payroll
  - generate over \$140 billion in revenue

# Thank you!



Washington State  
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**Commerce**

Would you like to receive program updates?

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[WAEOP@commerce.wa.gov](mailto:WAEOP@commerce.wa.gov)

Or visit our website

[Employee Ownership Program - Washington State Department of Commerce](#)

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