

## ISSUE HIGHLIGHTS

- Is your company looking for ways to allow employees to purchase shares? [See page 3](#) for four ways private companies can create broad-based stock purchase plans.
- Government data provides a snapshot of newly created ESOPs, from hot industries to the breakdown between public and private and regions of the country. [See page 4](#).
- Sidney Bolton used to be working for a paycheck, but he'll be retiring this year, two years ahead of schedule. [See page 6](#) to read his story.
- The Davey Tree Expert Company is employee-owned through a KSOP, an ESPP, and direct purchase. [See page 8](#) to learn how the company translates ownership into client satisfaction.
- See the program for the 2017 annual employee ownership conference in the newsletter [insert](#).
- Three steps you can take now to strengthen your ownership culture are on [page 9](#).
- The Pennsylvania Center for Employee Ownership looks back at its first full year of accomplishments on [page 10](#).
- PFSbrands CEO Shawn Burcham discusses his decision to transfer 100% ownership to an ESOP... two days after his state's ESOP legislation went into effect. [See page 11](#).

# EMPLOYEE OWNERSHIP REPORT

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## DEFERRING CAPITAL GAINS TAX

### State Capital Gains Taxation in §1042 Transactions

By Mary Beth Gray, Kleinbard LLC, and Christopher Michael, *The ICA Group*

One of the well-known benefits of an ESOP sale is that a business owner may defer federal capital gains tax on the sale of qualified securities to an ESOP by reinvesting sale proceeds in domestic securities. But how do states treat ESOP sales? The accompanying chart [on page 7](#) aims to relate the state-level treatment of capital gains tax in ESOP sales.

A few states do not tax capital gains at all. Most states, though, mirror federal tax rules by permitting taxpayers to use their federal taxable income or adjusted gross income as the starting point for the calculation of state capital gains taxes. In states like Minnesota and Wisconsin, where the state capital gains rates are relatively high, using the §1042-adjusted calculation of income has

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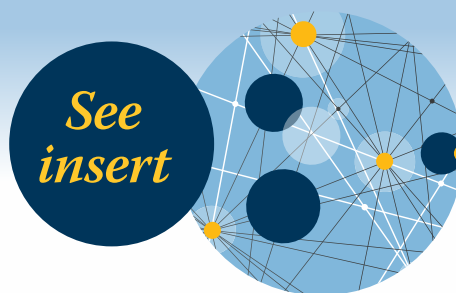
## OWNERSHIP NEWS

### The State of Employee Ownership Policies in the United States

In *Having a Stake*, a publication released on February 1 by Third Way, Joseph Blasi, Douglas Kruse, and Richard Freeman assemble the current state of research on all forms of employee ownership, making a case for changing public policy.

In the introduction, the authors summarize the article: "Policies to expand capital ownership and profit sharing that the founders of the U.S. saw as the right way to address the inequality and economic problems of their day are as appropriate—or even more so—to the inequality and economic problems of our day. With the experience of the past to draw upon and a large and growing set of studies on how different forms of employee share ownership and profit sharing work in modern settings, it is time to examine how ownership and profit-sharing policies can help make U.S. capitalism more efficient and equitable in the current economic environment."

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