Bernie Sanders

Question for the Record
from Senator Bernard Sanders
for Treasury Secretary Jacob J. Lew
The President's Fiscal Year 2014 Budget and Revenue Proposals
April 17, 2013
Senate Budget Committee

Question #1:

I am very disappointed by the Administration's budget proposal to repeal a tax incentive to pay employee owners dividends on stock in their ESOP accounts, or used to have employees own more stock -- (Section 404(k) Employee Stock Ownership Plan Dividend Deduction for "large corporations").

On pages 96 and 97 of the "Green Book," the Administration justifies eliminating this incentive for ESOP creation and operation because employee stock ownership is "risky," and employees do not understand how their labor can benefit their company, and their stock value if the company's revenue is over $5 million a year, which would be a company with approximately 10 to 20 employees.

On what data, research, or surveys does the Administration base its claim that employee stock ownership provides no boost in productivity, profits, or job sustainability in companies with more than $5 million in gross revenue?

The reason that I ask this question is because all of the studies that I have seen on this subject have shown that broad-based employee ownership has been proven to increase employment, increase productivity, increase sales, and increase wages in the United States. Unlike large corporations that have been shipping jobs overseas, employee owned businesses, by and large, are not shutting down and moving their businesses to China or other low-wage countries where workers are paid as little as 25 or 30 cents an hour. Further, employee owned businesses boost morale because workers share in future profits and have greater control over their work-life.

According to a 2010 survey conducted by researchers at the University of Chicago, during the Great Recession, ESOP companies laid off employees at a rate of less than 3%, while conventionally owned companies laid off employees at a rate of more than 12%.

According to the National Center for Employee Ownership, for every $1 in tax expenditures to promote employee stock ownership, the Federal government collected $13 in taxes.

In my opinion, we need more employee-owned companies in America, not less.

By expanding employee ownership and participation, we can create stronger companies in my state of Vermont and throughout this country, prevent job loss, and improve working conditions for struggling employees.

When employees own their own companies, when they work for themselves, when they are involved in the decision-making that impacts their jobs, workers become more motivated, absenteeism goes down, worker productivity goes up, and people stay on the job for a longer period of time.

Simply put, when employees have an ownership stake in their company, they will not ship their own jobs to China to increase their profits. They will be more productive. And, they will earn a better living.

Unfortunately, I believe that the Administration's budget proposal on ESOPs is a step backwards that will lead to fewer employee owned businesses, lower wages, and higher unemployment.

Adding insult to injury, the $6 billion in estimated savings over 10 years by ending this tax incentive for employee ownership wouldn't go into deficit reduction, but would be used to lower the tax rates and provide even more tax breaks to some of the largest corporations in America.

I would respectfully ask you to reconsider this proposal and work with me to expand broad-based employee ownership in this country.

I look forward to your response.