

ASSEMBLY, No. 1887

STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblyman BENJIE E. WIMBERLY

District 35 (Bergen and Passaic)

SYNOPSIS

Provides gross income tax exclusion for capital gains from sale of certain employer securities.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** providing a gross income tax exclusion for capital gains
2 from the sale of certain employer securities, supplementing
3 chapter 6 of Title 54A of the New Jersey Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

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8 1. a. Gross income shall not include net gains or income from
9 the sale or exchange of employer securities of a qualified business
10 with fewer than 500 employees that is not publically traded on any
11 stock exchange to an employee stock ownership plan, a New Jersey
12 S corporation owned by an employee stock ownership plan, or an
13 eligible worker-owned cooperative, benefiting employees of the
14 qualified business in this State if upon completion of the transaction
15 the employee stock ownership plan, New Jersey S corporation
16 owned by an employee stock ownership plan, or eligible worker-
17 owned cooperative plan owns at least 30 percent of all outstanding
18 employer securities issued by the qualified business.

19 b. As used in this section:

20 “Eligible worker-owned cooperative” means an “eligible worker-
21 owned cooperative” as defined by paragraph (2) of subsection (c) of
22 section 1042 of the federal Internal Revenue Code
23 (26 U.S.C. s.1042).

24 “Employee stock ownership plan” means an “employee stock
25 ownership plan” as defined by paragraph (7) of subsection (e) of
26 section 4975 of the federal Internal Revenue Code
27 (26 U.S.C. s.4975).

28 “Employer securities” means “employer securities” as defined by
29 subsection (l) of section 409 of the federal Internal Revenue Code
30 (26 U.S.C. s.409).

31 “Qualified business” means a private entity, whose headquarters
32 or base of operations is in this State, including but not limited to a
33 corporation, an S corporation, limited liability company,
34 partnership, limited liability partnership, a sole proprietorship, and
35 all private entities related by common ownership or control.

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37 2. This act shall take effect immediately and apply to taxable
38 years beginning on or after January 1 next following the date of
39 enactment.

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STATEMENT

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44 This bill provides a gross income tax exclusion for certain capital
45 gains from the sale of employer securities of a non-publically traded
46 business with fewer than 500 employees, whose headquarters or
47 base of operations is in this State, to an employee stock ownership
48 plan, a New Jersey S corporation owned by an employee stock

1 ownership plan, or an eligible worker-owned cooperative,
2 benefiting employees of the business in this State, if upon
3 completion of the transaction the employee stock ownership plan,
4 New Jersey S corporation owned by an employee stock ownership
5 plan, or eligible worker-owned cooperative plan owns at least 30
6 percent of all outstanding employer securities issued by the
7 business.

8 The purpose of this bill is to incentivize small businesses to
9 establish employee stock ownership plans. An employee stock
10 ownership plan allows companies to share ownership with
11 employees without requiring employees to invest their own money.
12 In addition, this bill encourages small business owners to sell their
13 businesses to the very employees that contributed to their success.
14 This will help to ensure that local businesses are not sold to out-of-
15 state buyers, which is often detrimental to the fabric of local
16 communities.