



To: Chair Arthur J. Corvese and Members, House Labor Committee
From: Jessica David, President of Local Return
Date: March 18, 2025
Subject: Testimony in support of House Bill 5940

Thank you for the opportunity to submit this testimony. **I write today to express our strong support of House Bill 5940, the Rhode Island Opportunity for Employee Ownership Act.**

Local Return is a nonprofit organization dedicated to building community wealth in historically disinvested neighborhoods in Rhode Island through community ownership and investment. We work to keep assets local, end economic leakages, and stop financial extraction. Retaining and growing local business ownership is key to strong local economies and wealth.

Rhode Island is facing a “silver tsunami,” as thousands of small business owners will be retiring in the next several years. More than half of small business owners in Rhode Island are over the age of 55, nearing points of transition in their lives and careers. These businesses are at risk of closing or being sold to out-of-state owners who have no fidelity to Rhode Island. Ensuring instead that they can convert to employee ownership is a way to enhance community character, preserve local assets, center local decision-making, and offer economic mobility opportunities to working Rhode Islanders.

H 5940 would do that by requiring certain qualified small businesses to give employees notice of the owner’s intention to sell and then giving workers thirty (30) days to initiate a process to potentially purchase the business as an employee group. In the event that the business is sold to employees, owners are exempted from state capital gains tax on the first \$1,000,000 in gains from the sale. **In other words, the legislation provides both awareness of employee ownership as a viable option and incentive to reduce barriers.** If passed, this bill would generate wealth-building opportunities for tens of thousands of Rhode Islanders.

Thank you for your attention to this critical issue.