

By: Shine

H.B. No. 1198

A BILL TO BE ENTITLED

AN ACT

relating to employee-owned companies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 301.004, Business Organizations Code, is amended to read as follows:

Sec. 301.004. AUTHORIZED PERSON. For purposes of this title, a person is an authorized person with respect to:

(1) a professional association if the person is a professional individual; ~~and~~

(2) a ~~[professional corporation or a]~~ professional limited liability company if the person is a professional individual or professional organization; and

(3) a professional corporation if the person is:

(A) a professional individual;

(B) a professional organization; or

(C) an employee stock ownership plan, as described by Section 303.0015, established by the corporation.

SECTION 2. Chapter 303, Business Organizations Code, is amended by adding Section 303.0015 to read as follows:

Sec. 303.0015. AUTHORIZED PERSON. For purposes of this chapter, an employee stock ownership plan, as defined by Section 4975(e) of the Internal Revenue Code, established by a professional corporation, is an authorized person if:

(1) all of the voting trustees of the plan are

1 professional individuals who are licensed to provide at least one
2 category of the professional services described in the
3 corporation's certificate of formation; and

4 (2) the ownership interests in the plan are not
5 directly issued to any person other than the plan trust or a
6 professional individual licensed to provide at least one category
7 of the professional services described in the corporation's
8 certificate of formation.

9 SECTION 3. Chapter 481, Government Code, is amended by
10 adding Subchapter CC to read as follows:

11 SUBCHAPTER CC. EMPLOYEE OWNERSHIP ASSISTANCE OFFICE

12 Sec. 481.451. ESTABLISHMENT OF EMPLOYEE OWNERSHIP
13 ASSISTANCE OFFICE. The employee ownership assistance office is an
14 office within the Texas Economic Development and Tourism Office.

15 Sec. 481.452. DUTIES. (a) The employee ownership
16 assistance office shall establish and administer for businesses in
17 this state:

18 (1) an outreach and information dissemination program
19 to foster increased awareness of employee stock ownership plans;
20 and

21 (2) a technical assistance program to assist
22 businesses in determining the feasibility of establishing an
23 employee stock ownership plan.

24 (b) The employee ownership assistance office shall make
25 available to businesses in this state information relating to
26 obtaining assistance under the programs established under
27 Subsection (a).

1 SECTION 4. Subchapter H, Chapter 2155, Government Code, is
2 amended by adding Section 2155.454 to read as follows:

3 Sec. 2155.454. PREFERENCE TO TEXAS EMPLOYEE-OWNED
4 COMPANIES. (a) In this section, "employee-owned company" means a
5 corporation in which a majority of the stock is held by an employee
6 stock ownership plan, as that term is defined by Section 4975(e),
7 Internal Revenue Code of 1986.

8 (b) The comptroller and all state agencies purchasing goods
9 or services may give preference to an employee-owned company
10 domiciled in this state if other considerations are equal.

11 SECTION 5. Section 2161.001(2), Government Code, is amended
12 to read as follows:

13 (2) "Historically underutilized business" means an
14 entity with its principal place of business in this state that is:

15 (A) a corporation formed for the purpose of
16 making a profit in which 51 percent or more of all classes of the
17 shares of stock or other equitable securities are owned by one or
18 more economically disadvantaged persons who have a proportionate
19 interest and actively participate in the corporation's control,
20 operation, and management;

21 (B) a sole proprietorship created for the purpose
22 of making a profit that is completely owned, operated, and
23 controlled by an economically disadvantaged person;

24 (C) a partnership formed for the purpose of
25 making a profit in which 51 percent or more of the assets and
26 interest in the partnership are owned by one or more economically
27 disadvantaged persons who have a proportionate interest and

1 actively participate in the partnership's control, operation, and
2 management;

3 (D) a joint venture in which each entity in the
4 venture is a historically underutilized business, as determined
5 under another paragraph of this subdivision; ~~[or]~~

6 (E) a supplier contract between a historically
7 underutilized business as determined under another paragraph of
8 this subdivision and a prime contractor under which the
9 historically underutilized business is directly involved in the
10 manufacture or distribution of the goods or otherwise warehouses
11 and ships the goods; or

12 (F) an employee-owned company as defined by
13 Section 2155.454.

14 SECTION 6. Section 2161.061, Government Code, is amended by
15 adding Subsection (f) to read as follows:

16 (f) A business that has been certified under this section as
17 a historically underutilized business described by Section
18 2161.001(2)(A), (B), (C), (D), or (E) retains the business's status
19 as a historically underutilized business if the business converts
20 to a historically underutilized business described by Section
21 2161.001(2)(F).

22 SECTION 7. Section 2161.125, Government Code, is amended to
23 read as follows:

24 Sec. 2161.125. CATEGORIZATION OF HISTORICALLY
25 UNDERUTILIZED BUSINESSES. The comptroller, in cooperation with
26 each state agency reporting under this subchapter, shall categorize
27 each historically underutilized business included in a report under

1 this subchapter by:

2 (1) sex, race, and ethnicity; and

3 (2) [~~by~~] whether the business qualifies as a
4 historically underutilized business:

5 (A) because it is owned or owned, operated, and
6 controlled, as applicable, wholly or partly by one or more veterans
7 as defined by 38 U.S.C. Section 101(2) who have suffered at least a
8 20 percent service-connected disability as defined by 38 U.S.C.
9 Section 101(16); or

10 (B) under Section 2161.001(2)(F).

11 SECTION 8. Subchapter Z, Chapter 271, Local Government
12 Code, is amended by adding Section 271.909 to read as follows:

13 Sec. 271.909. PREFERENCE TO TEXAS EMPLOYEE-OWNED
14 COMPANIES. (a) In this section:

15 (1) "Employee-owned company" has the meaning assigned
16 by Section 2155.454, Government Code.

17 (2) "Local government" means a municipality, a county,
18 or a special district.

19 (b) In purchasing goods or services, a local government may
20 give preference to an employee-owned company domiciled in this
21 state if other considerations are equal.

22 SECTION 9. This Act takes effect September 1, 2019.