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

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

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

SUBCHAPTER CC. EMPLOYEE OWNERSHIP ASSISTANCE OFFICE

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

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

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

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

(b) The employee ownership assistance office shall make
available to businesses in this state information relating to
obtaining assistance under the programs established under
Subsection (a).
SECTION 4. Subchapter H, Chapter 2155, Government Code, is amended by adding Section 2155.454 to read as follows:

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

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

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

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

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

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

(C) a partnership formed for the purpose of making a profit in which 51 percent or more of the assets and interest in the partnership are owned by one or more economically disadvantaged persons who have a proportionate interest and
actively participate in the partnership's control, operation, and management;

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

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

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

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

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

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

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

(1) sex, race, and ethnicity; and

(2) whether the business qualifies as a historically underutilized business:

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

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

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

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

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

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

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

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