



May 1, 2025

Senator Cathy Kipp, Chair
Senator Janice Marchman, Vice Chair
Colorado Senate Finance Committee

RE: Small Business Majority's support for HB25-1021: Tax Incentives for Employee-Owned Businesses

Thank you, Chair Kipp and members of the Committee:

My name is Hunter Nelson and I'm the Colorado Director for Small Business Majority, a small business organization with a mission to empower America's diverse entrepreneurs to build a thriving and equitable economy. I'm pleased to provide testimony in support of House Bill 25-1021, legislation that would extend Colorado's Employee Ownership Tax Credit to Establish or Expand through income tax year 2037. It would also increase the percentage of conversion or expansion costs that are eligible to be claimed for the credit from 50% to 75% beginning in tax year 2026.

Small Business Majority has worked to educate entrepreneurs seeking to retire about the option of employee ownership as it's vital to keeping small businesses in their communities. This education is crucial because 48% of Colorado small business owners are 55 years or older, and nationwide only 15% of business owners have a succession plan. We've heard from many small business owners in Colorado who would like to eventually retire but are wary of selling to an outside entity. Entrepreneurs put their whole lives and passions into their businesses and want their legacy to continue even after their ownership ends.

Employee ownership opportunities are also important as a wealth-building opportunity for workers. We support this legislation because capital is needed to make the conversion to employee ownership, and this tax credit would make the conversion to an employee ownership model more accessible for small business owners who otherwise may not have been able to take advantage of it without the credit's tax benefits. The increased percentage of eligible costs has the potential to increase access to this credit for more small business owners, providing greater financial support and further incentivizing employee ownership for small business owners. The extended availability of the credit allows more small businesses to come make use of this benefit, which is especially as it is projected that a majority of small business owner across the U.S. plan to retire in the next ten years. This is particularly crucial for rural small businesses owners that face even greater hurdles in succession planning and employee retention.

Passing HB 25-1021 would enhance the Employee Ownership tax credit as a critical resource for succession planning, supporting both small business owners and employees. We urge you to pass this legislation to keep Colorado's small businesses in our communities. allowing them to continue to provide their services and support their local economies for years to come.

Sincerely,

Hunter Nelson
Colorado Director
Small Business Majority