

BILL ANALYSIS

C.S.H.B. 2389

By: Shine

International Relations & Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current state law limits the ability of professional corporations to establish an employee stock ownership plan (ESOP). C.S.H.B. 2389 seeks to emulate other states in allowing professional corporations to have the option to establish ESOPs and to provide for the creation of a website maintained by the Texas Economic Development and Tourism Office to promote ESOPs.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2389 amends the Business Organizations Code to establish that an employee stock ownership plan (ESOP), as defined by the federal Internal Revenue Code of 1986, that is established by a professional corporation is an authorized person for purposes of provisions relating to professional corporations if the following conditions are met:

- all of the voting trustees for the ESOP are professional individuals licensed to provide at least one category of the professional services described in the corporation's certificate of formation; and
- the ownership interests in the ESOP are not directly issued to any person other than the plan trust or such a professional individual.

The bill classifies an ESOP established by a professional corporation as an authorized person with respect to the corporation for purposes of provisions governing professional entities.

C.S.H.B. 2389 amends the Government Code to require the Texas Economic Development and Tourism Office to establish and maintain a website for employee-owned company information as a source of the following:

- outreach and information dissemination for fostering increased awareness of ESOPs; and
- technical assistance to assist businesses in determining the feasibility of establishing an ESOP.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 2389 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute omits the provisions from the introduced regarding a business's retention of its status as a historically underutilized business after establishing an ESOP.