



October 29, 2018

Congress Reaches Out to President to Help ESOPs

[BENEFITS](#), [BUSINESS ADVISORS](#), [BUSINESS VALUATION](#)
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More than 20 members of Congress signed a letter addressed to President Trump earlier this month requesting assistance in protecting employee-owned companies from the Department of Labor (“DOL”). The letter argues that the DOL has issued very little guidance on important issues governing Employee Stock Ownership Plans (“ESOPs”), including the valuation of shares owned by the ESOP. This has led to inconsistent positions by the DOL on legal issues and aggressive enforcement policies. In some instances, the DOL has threatened to sue companies over their ESOP valuation unless they terminate the ESOP. DOL investigations can place a significant burden on small ESOP companies, sometimes hindering their ability to obtain financing, or causing them to terminate their ESOP. At the very least, there is concern that the DOL’s enforcement policies could make it difficult for ESOP companies to make business decisions and/or to find someone willing to be their plan fiduciary.

The writers of the letter assert that ESOPs are a great mechanism to help private companies succeed, citing studies showing that ESOP companies have higher survival rates, lower layoffs and better performance compared to non-ESOP companies. Therefore, in order to support the growth of small businesses, the letter requests that President Trump work to persuade the DOL to clarify the rules governing ESOPs (related to valuation and other relevant issues), and to improve the DOL’s enforcement practices in order to reduce the burden placed on small businesses.

Schneider Downs has significant experience assisting clients with various ESOP-related needs, including audit, tax, plan design and administration. For more information, please contact Jason Lumpkin (412.697.5472; jlumpkin@sdcpa.com) of our Employee Benefits Group. Schneider Downs also has significant experience providing business valuation services. For more information, please contact Joel Rosenthal (412.697.5387; jrosenthal@sdcpa.com) or Steve Thimons (412.697.5281; sthimons@sdcpa.com) of our Business Advisory Group.

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