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SUCCESSION PLANNING: OPPORTUNITIES TO BUILD WEALTH AND KEEP JOBS IN LOCAL COMMUNITIES

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

OF THE

UNITED STATES SENATE

ONE HUNDRED EIGHTEENTH CONGRESS

SECOND SESSION

JANUARY 24, 2024

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SUCCESSION PLANNING: OPPORTUNITIES TO BUILD WEALTH AND KEEP JOBS IN LOCAL COMMUNITIES

WEDNESDAY, JANUARY 24, 2024

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 2:15 p.m., in Room SR–428A, Russell Senate Office Building, Hon. Jeanne Shaheen, Chair of the Committee, presiding.

Present: Senators Shaheen [presiding], Cardin, Rosen, Hickenlooper, Ernst, Young, and Hawley.

OPENING STATEMENT OF SENATOR SHAHEEN

Chair SHAHEEN. Well, good afternoon, and thank you all for your patience. If it is Wednesday afternoon, we have got to be in the middle of votes, so we have had one vote, and we will have another one in probably the next 30 or 40 minutes. So I assume at that point, we will take turns and try and go out and vote but not disrupt the hearing. So again, thank you all.

The Senate Committee on Small Business and Entrepreneurship will come to order.

It is really wonderful to have you all joining us today to talk about something that is really a challenging issue for so many small businesses. We will be introducing our witnesses, but before we do that, we are going to have opening statements by myself as Chair and the Ranking Member, Senator Ernst.

Every day, more than 10,000 baby boomers turn 65. In my State of New Hampshire, our aging population outpaces the rest of the country. We are in a phenomenon that is referred to as the silver tsunami that is going to affect our country's small business ecosystem and local economies. Nationwide, more than half of all private employer businesses are owned by individuals over the age of 55. They employ more than 32 million Americans and receive $6-and-a-half trillion in revenue a year. Failing to properly transition these firms means that local communities will lose businesses that have been in neighborhoods for generations. It will put at risk countless jobs and literally trillions of dollars in assets.

Unfortunately, most small business owners are ill-prepared to exit their businesses. They have dedicated most of their time in business to building a successful company, and they do not have the information or resources to think about next steps. It is something that I see in my own family, where we have a number of family members who are looking at the next generation of taking over, and, in some cases, there isn't anybody to take over, so how to deal with that succession is a real challenge.

According to a 2023 survey, about 80 percent of small business owners did not have a formal succession plan before putting their businesses on the market, and among those that did, most engaged in planning for less than a year before getting to a sale. This hearing is an opportunity to think about how we help those small business owners transition their businesses. How do we help them retain the legacy of those family businesses? How do we help them save for retirement and ensure that jobs remain in local communities?

So again, we are delighted to have you all join us today, and I look forward to your statements. And I will now turn it over to Senator Ernst.

STATEMENT OF SENATOR ERNST

Senator ERNST. Great. Thank you. Good afternoon, and thank you, Chair Shaheen, and to all of our witnesses for being here today. I also want to give a special thank you to my fellow Iowan, Ms. Theresa Hildreth, who is the executive director of the Calhoun County Economic Development Corporation, for coming to Washington to share your insights with us. Thank you, Theresa.

Small businesses are key drivers of local enterprise and community life. These hardworking and dedicated small business owners pour their lives into building their companies. For many entrepreneurs, succession planning is a way to plan for retirement and ensure their business and legacy continues to thrive. According to Guidant Financial, nearly 40 percent of small businesses are owned by older folks who may soon be looking to retire and start their life's next chapter. So the phrase that you used, Senator, "the silver tsunami"—maybe in Iowa it is the silver cyclone, I am thinking. [Laughter.]

Senator ERNST. For our family-owned businesses, especially farms and other rural small businesses, succession planning is deeply personal. It is more than a conversation about family finances or selling a business to the highest bidder. It is a process that must consider the business' role in their community. According to the National Federation of Independent Business, nearly one-third of business owners plan to pass their business to a family member. Despite often being tent poles of families and communities, small business owners can face significant challenges in keeping their business' operations going from one generation to the next. The complex, burdensome process can require expensive attorneys, accountants, and business advisors. Navigating the red tape discourages folks. Making, selling off, or shutting down their enterprise is less of a headache than keeping it open or passing it on to their family.

The death tax is a major burden during succession planning, especially for farmers. I was proud to support the Tax Cuts and Jobs Act, which eased the burden on small businesses by nearly doubling the death tax exemption and adjusting it for inflation. Unfortunately, this provision expires in 2025. If we let it lapse, it will heap even more burdens on hardworking entrepreneurs, not to mention create a great deal of uncertainty for small business owners who are looking to retire in the coming years.

Meanwhile, Bidenomics continues to punish Main Street. Rising prices, high interest rates, and skyrocketing operating costs are pushing small business owners to delay succession planning. However, my home State of Iowa continues to lead the charge to even the playing field for small business owners. At the State level, Governor Reynolds and the legislature phased out the inheritance tax, another reason folks choose to move to Iowa to live and work. On the Federal level, I have long supported repealing the death tax altogether. I am proud of my friend and colleague from Iowa, Congressman Randy Feenstra, who is leading the charge in the House. It has long past time to end the practice of death being a taxable event. Are Americans not taxed enough while they are alive? Do we really need to penalize family members who are grieving their loved ones?

Small business succession planning should be easy to understand, easy to navigate, and easy to do. A locally-led approach informed by the owner's priorities and vision must be the standard. Ensuring small business owners are in control and well informed is critical to the well-being of the communities they serve. As we start to hear from our witnesses, I am looking forward to learning how this Committee can better help small business owners navigate business succession planning. Thanks to all of our witnesses, and thank you, Chair Shaheen, for delving into this important topic.

Chairwoman SHAHEEN. Well, thank you very much, Senator Ernst, and, again, I want to welcome our witnesses. I will begin by introducing Scott Snider, who is the president of the Exit Planning Institute, EPI. EPI focuses on improving succession planning outcomes for small to mid-sized companies, including through certifying exit planning advisors. I understand you also conduct surveys, and you are going to have one that is coming out in March that will give us some very interesting information, so we hope you will share that with the Committee when it is finished. Mr. Snider is also passionate about guiding small business owners in their succession planning journey, having been an entrepreneur himself with firsthand experience in transitioning from his own business, so I am looking forward to hearing your testimony.

I am also delighted to welcome from Manchester, New Hampshire, Tabitha Croscut, who is a shareholder and attorney at Devine-Millimet & Branch in Manchester. Tabitha has a national legal practice focused on utilizing employee stock ownership plans, or ESOPs, as a succession plan. She has been practicing in that area for more than 20 years. Ms. Croscut also sits on the boards of numerous ESOP organizations and frequently speaks out about those transactions at conferences and seminars. So we are delighted to have your expertise from New Hampshire, and I am also pleased to turn it over to the Ranking Member to welcome the other two witnesses.

Senator ERNST. Great. Thank you very much, and welcome, Mr. Snider and Ms. Croscut. Thank you for joining us as well.

I know—I now have the pleasure of introducing the rest of our witnesses who are testifying today, including my fellow Iowan, Ms. Theresa Hildreth. Ms. Hildreth is serving as the executive director of the Calhoun County Economic Development Corporation. She works with small business owners, community groups, and local leaders to foster economic development in rural Iowa. Ms. Hildreth is also the CFO of Martin Hildreth Company, a 70-year-old family-owned and operated small business. Ms. Hildreth has served on several local boards, including as vice chair of the Stewart Memorial Community Hospital board of directors. She earned a degree from Iowa Central Community College. Ms. Hildreth is also a military mom with children who have served in the Iowa Air National Guard and U.S. Air Force. And, Sarah, we want to welcome you to the Committee today with your mother as well, so thank you very much.

And on a personal note, I have known Theresa for a number of years. She works within our Iowa State legislature and the Iowa Senate with the senators there, and I had also served in the Iowa State Senate, so we have many friends in common.

Next, I want to introduce Mr. Palmer Schoening, and Mr. Palmer Schoening is the chairman of the Family Business Coalition, or FBC, so thank you, Palmer, for being here, which is a collection of over 150 small business associations dedicated to protecting America's family-owned businesses and farms. Mr. Schoening earned degrees from George Mason University and Hillsdale College. Thank you for making the time to share with this Committee how we can better help small businesses with succession planning in Iowa as well as across the country. Thank you all so much to our witnesses. Thank you, Chair.

Chair SHAHEEN. Thank you, Senator Ernst and Mr. Snider, we will start with you.

STATEMENT OF SCOTT SNIDER, PRESIDENT, EXIT PLANNING INSTITUTE, WESTLAKE, OHIO

Mr. SNIDER. Thank you, Chair Shaheen, Ranking Member Ernst, and all members of this Committee. It is an incredible honor to be here with you today. My name is Scott Snider, and I am the president and co-owner of the Exit Planning Institute, an Ohio-based, privately-held family business that supports professional advisors who help business owners successfully transition their companies. We provide advisors with a professional network, regional and national conferences, continuing education courses, and, most notably, a credential. We began in 2005 and today serve over 5,000 certified exit planning advisors and another 10,000 professionals throughout the world.

As this Committee well knows, there are over 30 million small businesses in the U.S. that employ nearly 62 percent of Americans. For these business owners, nearly 90 percent of their wealth is trapped inside of their largest asset—their company—wealth that will be critical for them to harvest to move into the next phase of their lives, and even more, wealth that has a deep impact on social and economic elements that make up our country today. According to the most recent National State of Owner Readiness Survey, this wealth is projected to total nearly $18 trillion, with $14 trillion alone coming to market in the next 10 years as 73 percent of owners report they want to exit from their companies within that time frame.

Historically, there has been a low success rate of privately-held company transitions, an indication to me that business owners are ill-prepared for this eventual exit. According to the same research, 60 percent of owners do not understand their exit options, 80 percent do not have a formal exit strategy, and 50 percent of owners have no plan at all. Worse yet, 70 percent of the companies put on the market do not sell, and 50 percent of the exits are involuntary due to external elements that force business owners to close or sell.

These stats remind me of a fellow owner, a business owned by three sisters in Pennsylvania. One of them, in tears, approached me after a speaking engagement and she said she was trying to figure out what was next in her life. One of her sisters had just recently passed away from a cancer diagnosis. She had been the visionary and heartbeat of the company, and without her, the remaining two could not operate the business and closed their doors only 2 months after their sister's passing. Sadly, they became owners who fell to the involuntary exit, something that I believe is preventable by appropriate planning.

To understand the problem, we must understand the mindset of the business owner. As owners, we are trained to grow a successful company, one with great employees, great customers, meaningful products and services, a strong balance sheet, and a net profit, but when we go to transition those companies, we are kind of slapped in the face with a harsh and unexpected reality. Though we, in fact, grew something of success, we did not build anything of significance. All our intellectual capital is locked within us, never transferred to anyone else or any one thing. What is a significant company? It is one aligned to the business owner's business, personal, and financial goals. It is ready and attractive with an owner who is well prepared. Most importantly, a significant company is highly valuable and transferrable at any time.

Being in the unique position of both teaching the pathway to significant companies but also living it myself as a business owner daily, I see three key opportunities for us to better those who are transitioning their companies. First, educational programming that brings exit strategy into the—into the present. Incorporating it early and often makes a company stronger at point of transition while making a better company today. At EPI, we have worked with SCORE and the Small Business Development Centers of America in educating both advisors and owners.

Secondly, we need greater access to coaching and services. Seventy-eight percent of owners have not formed a transition advisory team that embraces those the three key elements for significance: business, personal, and financial. And lastly, data and research. Policymakers need to better understand succession planning gaps that impact small businesses sales, transitions, and closures. These simple actions, I believe, help to change the owner's mindset, keep small businesses active in our local communities, and put us on a pathway to positively impact our economy, an important conversation, I think, to be had given the number of owners that will transition in the next 5 to 10 years.

I thank you for the privilege and honor of sharing my testimony with you today and happy to answer questions as they come. Thanks.

[The prepared statement of Mr. Snider follows:]

Testimony of Scott Snider
President, Exit Planning Institute

Succession Planning: Opportunities to Build Wealth and Keep Jobs in Local Communities

January 24, 2024

Thank you, Chairwoman Shaheen, Ranking Member Ernst, and all members of this committee. It is an incredible honor to be here with you today.

My name is Scott Snider, and I am the President and co-owner of the Exit Planning Institute—an Ohio-based, privately-held family business that supports professional advisors who help business owners successfully transition their companies. We provide advisors with a professional network, regional and national conferences, continued education courses, and—most notably—a credential. We began in 2005 and today serve over 5,000 Certified Exit Planning Advisors and another 10,000 professionals throughout the world.

As this committee well knows, there are over 30 ***million*** small businesses in the U.S. that employ nearly 62% of Americans. For these business owners, nearly 90% of their wealth is trapped inside of their largest asset: their company. Wealth that will be critical for them to move into the next phase of their lives. Even more, wealth that has a deep impact on social and economic elements that make up our country today.

According to the most recent National State of Owner Readiness Survey, this wealth is projected to total nearly $18 ***trillion***—with $14 trillion alone coming to market in the next 10 years as 73% of owners report they want to exit from their companies within that timeframe.

Historically, there's been a low success rate of privately-held company transitions—an indication that business owners are ill-prepared for their eventual exit. According to the same research, 60% of owners do not understand their exit options… 80% do not have a formal exit strategy… and 50% of owners have no plan at all.

Worse yet—70% of the companies put on the market do not sell… and 50% of the exits will be involuntary due to external elements that force a business owner to sell or close.

These statistics remind me of a story from a fellow owner. A business owned by three sisters in Pennsylvania. One of them—in tears—came up to me after an exit planning event and shared she was trying to figure out what to do next in her life. One of her sisters had passed quickly after a cancer diagnosis. She'd been the visionary and heartbeat of the company. And without her, the remaining two could not operate the business and closed their doors only ***two months*** after their sister's passing. Sadly, they became owners who fell to the involuntary exit. Preventable by appropriate planning.

To understand the problem, we must understand the mindset of the business owner. As owners, we are trained to grow a successful company—one with great employees and customers… meaningful products and services.... and a strong balance sheet and profit. But when we go to transition our companies, we are slapped in the face with a harsh and unexpected reality.

Though we may be successful, we did not build anything of ***significance***. All our intellectual capital is locked within us. Never transferred to anyone else or any one thing.

Testimony of Scott Snider
President, Exit Planning Institute

What is a significant company? It's one aligned to the owner's business, personal, and financial goals. It's ready and attractive with an owner who is well prepared. Most importantly, a significant company is highly valuable and transferrable at any time.

Being in the unique position of both teaching the path to significant companies but also living it daily as a business owner myself, I see three key opportunities for us to better support those who will transition their companies:

1) First, educational programming that brings exit strategy into the present. Incorporating it early and often makes a company stronger at point of transition. And makes a better company today. This is something we have done with SCORE and the Small Business Development Centers of America.

2) Secondly, we need greater access to coaching and services. 78% of owners have not formed a transition advisory team that embraces the three elements for significance: business, personal, and financial.

3) Lastly, data and research. Policymakers need to better understand succession planning gaps that impact small businesses sales, transitions, and closures.

These simple actions, I believe, help to change the owner's mindset, keep small businesses active in our local communities, and put us on a pathway that positively impacts our economy.

An important conversation given the number owners indicating they want to exit within the next five to ten years.

Thank you for the privilege and honor of sharing my testimony with you today. I am happy to answer questions as I can.

Chair SHAHEEN. Thank you very much. Ms. Hildreth.

STATEMENT OF THERESA HILDRETH, EXECUTIVE DIRECTOR, CALHOUN COUNTY ECONOMIC DEVELOPMENT CORPORATION, ROCKWELL CITY, IOWA

Ms. HILDRETH. Honorable Chair Shaheen, Honorable Ranking Member Ernst, members of the Committee, and all the distinguished guests that are here, thank you for the opportunity to testify today on the critical topic of succession planning and the challenges facing small business owners, especially in my State of Iowa.

My succession planning assessment in rural Iowa is multifaceted, shaped by my personal, my professional, and policy perspectives. Addressing challenges related to retirement and ensuring a smooth transition for our family business is not a—not only a personal concern, but also has broader implications for my local community. In economic development, my role involves aiding sustainability and growth of a rural economic area designated as an opportunity zone. Succession planning on a broader scale becomes essential for the economic well-being of the entire community. My policy perspective shares great concern for the current State of the Nation's economic future with succession planning involving policy advocacy.

My family's business, Martin Hildreth Company, is a three-generation, 70-year-old underground utility contracting business. We are—we currently are facing the complexities in transitioning now to our third generation. Due to our current economic concern and uncertainties, we have decided to extend our succession plan to 5 years rather than our original 3 years, unless we see big changes after the election in 2024. As we compare today's challenges to the previous generation transition in 2009, we find a much harsher economic landscape. Concern with today's inflation, company valuation, and long-term success adds to that complexity. My interactions with other business leaders, particularly aging farmers, reveal that these are common concerns and challenges and reflect—reflective of a broader issue impacting rural economic development.

As in our business, farmers often prioritize inheritance over selling assets in succession planning to mitigate capital gains tax. Iowa's recent inheritance tax initiatives is reflective of a positive step towards supporting retirees and succession plans. Many businesses struggle to access available programs and grants for opportunities and growth. A 2023 study by the Rural Policy Research Institute found that 42 percent of rural businesses lack awareness of available government programs. The agricultural sector and many rural small businesses face a scarcity of qualified and available employees. The USDA's 2021 Census of agriculture reports the average age today of Iowa's farmer at 57 years. Four times as many farmers are over the age of 65 than under the age of 35. In 2022, the USDA National Institute of Food and Agriculture reported sites—report sites of 30-percent decline in young farmers since 2010.

Beyond capital gains tax, many small businesses struggle with the rising cost of doing business, high interest rates, supply chain issues, insurance, and that ever fluctuating fuel cost. National Federation of Independent Businesses reports that 82 percent of small businesses are concerned about inflation impacting their operations. This point directly relates to risk and the concern for entrepreneurs to assume great risk in economic endeavors.

Specifically in Calhoun County, the economic landscape bears the scars of a 17-year decline. Our once thriving county is steadily shrinking, a startling 15 percent loss of businesses. The lack of succession of business is a vital component in this downward trend, casting a long shadow on tax revenue, essential services, and the very spirit of our towns. This is not merely a statistic. It is a human story unfolding before our eyes. One example of the human story of economic decline in Rockwell City, the county seat of Calhoun County, is the loss of a second-generation plumber. The 52-year-old plumbing professional suddenly passed away this past December. Now his 73-year-old father has abandoned retirement to resume leadership of the only plumbing business in the community.

These challenges, while impacting individual businesses, resonates with the larger economic issues facing rural communities. Engaging with political stakeholders and advocating for supportive policies becomes crucial. We need policy alignment. We need collaborative approach. Through collaborative efforts and supportive policies, we can build a more resilient and sustainable future for rural communities and enhance business succession planning.

Thank you for allowing me to share my testimony with you. I may not be a silver cyclone, but I am a silver Hawkeye. [Laughter.]

[The prepared statement of Ms. Hildreth follows:]

Theresa Hildreth
CFO, Martin Hildreth Company, Inc.
Executive Director, Calhoun County Economic Development Corporation
January 24, 2024

Testimony to the Small Business & Entrepreneur Committee on Succession Planning

The Honorable Jeanne Shaheen, Chairperson; the Honorable Joni Ernst, Ranking Member; Members of the Committee; and Distinguished Guests,

Thank you for the opportunity to testify today on the critical topic of Succession Planning and the challenges facing small business owners today, especially in rural communities. My testimony comes from my diverse roles as Executive Director of the Calhoun County Economic Development Corp. (CCEDC), as an owner of a family business, and as a dedicated leader engaged in various community and civic initiatives.

My assessment on succession planning in rural Iowa is multifaceted, shaped by my various personal, professional, and policy perspectives.

- **Personal** – Succession planning for my family's business, Martin Hildreth Company, Inc., is a crucial consideration. Addressing challenges related to retirement and ensuring a smooth transition for our family business is not only a personal concern but also has broader implications for the local community as our business provides essential services.
- **Professional** – As Executive Director of Economic Development in Calhoun County, my role involves assisting and guiding the sustainability and growth of the rural economic area designated as an Opportunity Zone. Succession planning on a broader scale becomes essential for the economic well-being of the entire community. Balancing local businesses' continuity with the need for innovation and growth is a key aspect of our endeavors. In support of the commitment of local businesses Calhoun County Economic Development is developing a written Strategic Plan to assist us in navigating the challenges of the immediate future.
- **Policy** – Concern for the current state of Iowa, the United States, and the economic future of the nation reflects my policy perspective. Succession planning, in this context, involves considerations for policy advocacy and engagement with political stakeholders to shape a favorable climate for rural economic development.

Personal Perspective

My family's business, Martin Hildreth Company Inc., is a three-generation, 70-year-old underground utility contracting business, which faces complexities in transitioning to our third generation. We made the decision to extend our succession plan from three to five years due to the current economic uncertainties, similar to those faced by other rural small businesses. The rising cost of conducting business, including interest rates, supply and material costs, taxes, insurance, ever-fluctuating fuel costs, and wages, significantly impacts our transition timeline. The unknown of continued success of our business in a disproportionately high inflation environment heavily weighs in on our decisions toward a solid succession.

The essential role of our business services in Northwest Iowa adds another factor and layer of responsibility. Martin Hildreth Company maintain several components of critical infrastructure such as sewage and water service lines. This essential role is only compounded during the extreme weather events Iowa recently experienced, underscoring our importance to the community and economy.

Comparing today's challenges to the previous generation's transition in 2009 reveals a significantly more volatile economic landscape. Concerns of inflation, company valuation, and long-term success exacerbates the complexity of succession. To complicate matters, the current national economic climate further amplifies these uncertainties.

Challenges beyond Martin Hildreth Company

My interactions with other business leaders, particularly aging farmers, reveal that these are common concerns and challenges, reflective of broader issues impacting rural economic development:

- **Capital Gains Tax:** Like our business, farmers often prioritize inheritance over selling assets to mitigate capital gains tax (reference: Internal Revenue Code Section 1001). Iowa's recent inheritance tax initiatives (reference: Iowa Code chapter 450, particularly Iowa Code § 450.3) reflect a positive step towards supporting retirees.

  The perspective shared by farmers on the transfer of land in succession planning aligns with a common sentiment in the agricultural sector. The concern over capital gains tax often influences decisions regarding the timing and method of transferring land to the next generation. The preference for inheritance over selling to the ultimate successor is a strategy aimed at mitigating the impact of capital gains tax.

  It's noteworthy that in Iowa, both the proactive efforts of Governor Reynolds and our state legislature in addressing inheritance taxation reflects a commitment to the creation of a favorable environment for retirees. Striving to be one of the leading states in the nation in which to retire reflects the consideration of financial implications in succession planning and dedication to the preservation of family-owned assets.

- **Program Accessibility:** Many businesses struggle to access relevant programs and grants for operations and growth. A 2023 study by the Rural Policy Research Institute found that 42% of rural businesses lack awareness of available government programs.

- **Workforce Shortage:** The agricultural sector and many small businesses face a scarcity of qualified and available employees. A 2022 report by the USDA National Institute of Food and Agriculture cites a 30% decline in young farmers since 2010, while a 2023 report by the Small Business Administration found that 22% of small businesses struggle to find skilled workers in the uncertain economy.

- **Rising Cost of Business:** Beyond capital gains tax, many small businesses struggle with the rising cost of doing business, including rising interest rates, supply chain disruption, taxes, insurance, high fuel costs, and wages. Already this year the National

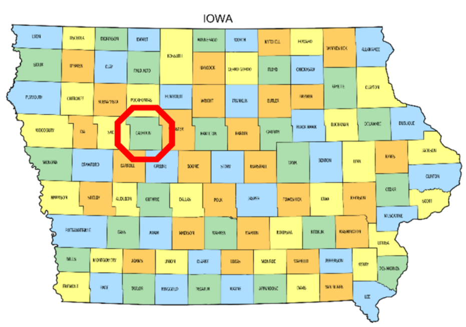
Federation of Independent Businesses reported that 82% of small businesses are concerned about inflation impacting their operations. This uncertainty is compounded by the disproportionate impact of inflation facing rural businesses.

Access to financially positioned employees willing to accept the risks associated with farming is also a recurring challenge. The agricultural sector often requires individuals with a strong financial position to navigate the uncertainties inherent in farming.

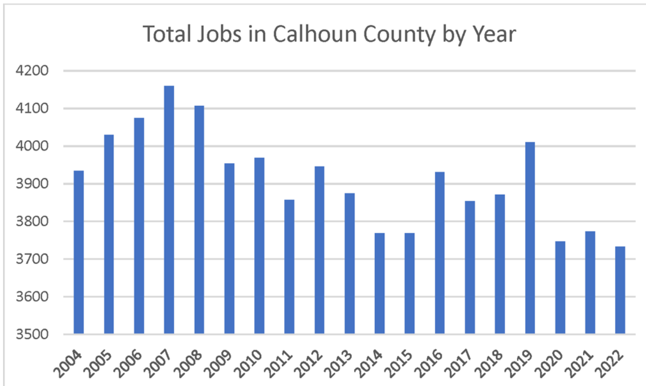
Business leaders express challenges in accessing relevant programs that can support their operations. This includes government programs, grants, or educational initiatives that contribute to the growth and sustainability of rural businesses. The need for education on specific programs is another common theme. Business leaders may require information and guidance on available programs, their eligibility, and how to leverage them for the benefit of their businesses.

Calhoun County Impact

Calhoun County, Iowa is in the northwest quadrant of the state.



The population of Calhoun County according to US Census Quick Facts April 2020 reflects 9927 residents. The estimated population in July 2022 data reflects a change to 9725 residents. A startling 23% of Calhoun County residents are 65 years and older.



Specifically in Calhoun County, the economic landscape bears the scars of an overall 17-year decline, etched in the steady erosion of businesses and jobs. Available data portrays a stark reality: a once-thriving county is steadily shrinking, with a 5% loss of employees and a startling 15% loss of businesses succumbing to the pressures of current economic conditions. rising costs, changing demographics, and a lack of readily available skilled workers.

The lack of succession of business is a vital factor in the downward trend rippling through our communities, casting a long shadow on tax revenue, essential services, and the very culture of our towns. Each shuttered storefront and lost job represent not just lost revenue, but the dimming opportunity, weakening of our social economy, and fading hope for a vibrant future. This is not merely a statistic; it is a human story unfolding before our eyes, a story demanding immediate attention and decisive action.

One example of the human cost of economic decline in Rockwell City, the county seat of Calhoun County, is the loss of a second-generation plumber. The 52-year-old plumbing professional suddenly passed away this past December. Now, his 73-year-old father has abandoned retirement to resume leadership of the only plumbing business in the community.

The shortage of nurses and direct care professionals at Opportunity Living, an Intermediate Care Facility in Lake City, Iowa is concerning, especially when it directly affects the care for individuals with intellectual disabilities. The impact on the most vulnerable members of the community underscores the broader challenges faced in the healthcare sector and the need for solutions to address workforce shortages.

Collaborative efforts involving leaders from various levels of government and the community are essential in tackling complex issues, especially those related to succession planning for current businesses to curb economic decline, workforce shortages, and healthcare challenges.

Policy Perspective

These challenges, while impacting individual businesses, resonate with larger economic issues facing rural communities and the nation. Engaging policy makers and advocating for supportive legislation is crucial. We need:

- **Policy alignment:** Rural concerns resonate with national economic issues. The 2023 Congressional Budget Office report highlights the disproportionate impact of inflation on rural communities. In rural areas the CBO quote is 12.9% compared to 1% in urban areas.
- **Collaborative approach:** A 2024 bipartisan report by the National Governors Association emphasizes the need for private-public partnerships to foster rural economic development.

Addressing succession planning challenges requires understanding of the complexities faced by individual businesses and the interconnectedness of the rural economy with national issues. Through collaborative efforts and supportive policies, we can build a more resilient and sustainable future for rural communities and enhance business succession planning for generations to come.

Thank you for allowing me to share my testimony with you.

Chair SHAHEEN. Thank you, Ms. Hildreth. Ms. Croscut.

STATEMENT OF TABITHA CROSCUT, SHAREHOLDER/ATTORNEY, DEVINE-MILLIMET & BRANCH, MANCHESTER, NEW HAMPSHIRE

Ms. CROSCUT. Good afternoon, Chair Shaheen, Ranking Member Ernst, and members of the committee. My name is Tabatha Croscut, and I am a shareholder at the New Hampshire law firm of Devine-Millimet & Branch. For over 20 years, I have helped my clients who are business owners of both small and large privately-held businesses to assess, consider, and navigate the feasibility of implementing, employee stock ownership plans as an ownership succession strategy. I would like to thank you for the opportunity to appear before you to discuss the importance of succession planning and for allowing me to share with you how and why ESOPs can be a better option for many business owners looking for a sustainable and impactful succession strategy.

As a result of a lack of planning, each year many companies in New Hampshire and across the U.S. bought up by third parties, and some even close their doors when they are unable to find a buyer. This is a challenge not only for the business owners, but also for the many families and communities that rely on their businesses. It is my position that ESOPs can be and should be a powerful tool for solving succession planning issues for such businesses.

In the Granite State, there are approximately 30 ESOPs and privately-held companies. Of these ESOPs, approximately 27 are headquartered in small towns in the Monadnock region or White Mountains, cities like Manchester or Salem. These are companies that are staying in New Hampshire and are heavily invested in the success of their communities. Those 30 New Hampshire ESOP-owned companies cover over 4,600 participants. Most are smaller businesses. In fact, more than two-thirds have under 100 employees.

You might be wondering why are there only 30 ESOP-owned companies in New Hampshire? I see two primary obstacles to the utilization of ESOPs as a succession strategy, not only in New Hampshire, but across the U.S. First, there is a low public and professional awareness about ESOPs. Second, there is a shortage and/or absence of lending capital for ESOP formations and the related stock acquisitions from business owners. Before discussing how we can address those obstacles, I would like to take a minute to share with you an ESOP success story from New Hampshire.

Based in rural Dublin, New Hampshire, Yankee Publishing is an 88-year-old family business that publishes the "Old Farmer's Almanac," the oldest continuously published periodical in North America. "Yankee Magazine," "New Hampshire Magazine," and the "New Hampshire Business Review," to name a few others, are published by Yankee Publishing. It employs approximately 75 people in a region of New Hampshire where the town populations typically consist of 2,000 people or less. When it came time to start seriously considering an ownership succession plan, Yankee Publishing had 11 third-generation shareholders, two of which worked in management. The combined ownership was looking ahead to around 22 children, none of whom were particularly interested in running the company.

The need for a viable ownership transition strategy became pressing. Ownership considered all of the standard succession options: a shareholder buyout, a management buyout, selling the company to a third party. However, ownership felt that they had a duty to continue to preserve not only the family legacy, but also Yankee Publishing's commitment to the community. As such, they spent some time researching and decided to go forward with the sale of the company stock to an ESOP for the benefit of the company's employees. Today, the company is a hundred percent ESOP owned.

While Yankee Publishing is a great example of a successful ownership transition utilizing an ESOP, we continue to struggle with the challenges of access to capital for ESOP transactions and a greater awareness of the ESOP succession strategy. Chair Shaheen and others have supported several bipartisan policy solutions to address these issues, including the Main Street Ownership Act passed in 2019 and the Worker Ownership Readiness and Knowledge Act in 2023, but more is needed.

The Mainstream Ownership Act passed in 2019, was championed as a win for ESOPs, but it was, in fact, slow in providing additional access to capital for ESOP transitions through SBA's 7(a) lending program, which, due to certain procedural requirements, actually had minimal impact on ESOP loans funded by the program. We must continue to streamline the SBA 7(a) loan process to make it more appealing to small business owners.

As previously mentioned, awareness of ESOPs is a primary barrier to businesses utilizing the ESOP for their ownership transitions. If a business owner and their professional advisors are unaware of how ESOPs work or that ESOPs even exists, they will lose out on the opportunity to transition ownership to an ESOP, and, instead, many end up selling to a third-party buyer or simply shut down the company. While the recently passed Main Street Ownership Act directs the SBA to promote such awareness, a step in the right direction, that only helps when the SBA has adequate support, structure, and resources to implement that directive. The numbers show that if we can support the expansion of State centers throughout the United States, while also empowering the SBA's promotion of ESOPs through small business development centers, business owners will have more access and be better educated on the ESOP succession option, which will lead to stable jobs and stronger communities.

In conclusion, there is a significant challenge for all privately-held businesses across the U.S.: ownership succession. I propose to you that ESOPs should be a great part of that solution, which will keep good jobs intact and strengthen local communities. With more awareness of the ESOP option, we can ensure this once-in-a-lifetime decision for many business owners to sell their companies is also a win-win for employees and the communities in which they live and work. I appreciate the opportunity to appear before the committee, and I look forward to answering any questions you may have.

[The prepared statement of Ms. Croscut follows:]

WRITTEN TESTIMONY OF TABITHA CROSCUT, ESQ.

SHAREHOLDER OF DEVINE, MILLIMET & BRANCH, P.A.

BEFORE THE SENATE COMMITTEE ON SMALL BUSINESS AND ENTRPRENEURSHIP

January 24, 2024

Good afternoon Chairman Shaheen, Ranking Member Ernst, and members of the Committee. My name is Tabitha Croscut and I am a Shareholder at the New Hampshire law firm of Devine, Millimet & Branch, P.A. For over twenty years I have helped my clients, who are owners of both small and large privately held businesses, to assess, consider, and navigate the feasibility and implementation of Employee Stock Ownership Plans (ESOP) as an ownership succession and employee incentive strategy. I would like to thank you for the opportunity to appear before you to discuss the importance of succession planning and for allowing me to share with you how and why ESOPs can be a better option for many business owners looking for a sustainable and impactful succession strategy.

ESOP Statistics

Before I share with you a couple ESOP success stories from the State of New Hampshire, I would like to outline some important statistics for background.

One recent survey has estimated that "[e]ighty-seven percent of American businesses are family-owned or controlled."[1] In New Hampshire, the Center for Family Enterprise out of the University of New Hampshire reported that around eighty-five percent of businesses in the state are family owned.[2] Across the U.S., these family owned businesses represent "54% of U.S. GDP and 59% of employment, meaning family-owned businesses directly affect more than half of U.S. workers."[3] However, according to an often cited 2021 survey done by PwC, "only 34%

[1] Arturo Holmes, "Most family businesses don't look like 'Succession.' Here's what America's enterprising families bring to the table", Fortune (May 29, 2023), *available at* https://fortune.com/2023/05/29/most-family-businesses-dont-look-like-succession-heres-what-americas-enterprising-families-bring-to-the-table/.

[2] Paul Briand, "An enterprising endeavor: Center for Family Enterprise expands to encompass all NH businesses", Foster's Daily Democrat (Jul. 3, 2019), available at https://www.fosters.com/story/business/2019/07/07/center-for-family-enterprise-expands-to-encompass-all-nh-businesses/4749136007/.

[3] Holmes, *supra* note 1.

[of respondents] said they had a robust, document and communicated succession plan in place."[4] Those are just the family-owned businesses in our communities. Others also report that "baby boomers who are at or near retirement age own nearly half of the nation's privately-held businesses," and" more than half of small business owners expect to retire in the next 10 years, [with] fewer than fifteen percent hav[ing] a formal exit plan in place."[5] As a result of such lack of planning, many companies are bought up by third parties, such as private equity firms, and some even close their doors when they are unable to find a buyer. For other business owners the lack of planning results in lower value paid for an investment they have spent their lives and livelihood to build. This is a challenge for not only the business owners, but also for the many families and communities that rely on their companies.

It is not my position that private equity is "bad" per se, or even that selling to a third party is bad, but rather that for many successful, small businesses—family owned and community centric—an ESOP could be a better alternative. Unfortunately, the ESOP alternative has far less public awareness than third party sales, but offers small businesses in many cases a more favorable and higher impact alternative.

The National Center for Employee Ownership (NCEO) estimates that, as of 2023, there are roughly 6,500 ESOPs in the United States covering almost 14 million participants.[6] The vast majority of these ESOPs own stock in privately held companies.[7] More than half of these privately held companies have what are referred to as "small plans", meaning they include under 100 participants.[8] According to the NCEO, more than half of the nation's ESOPs are professional science or technical services, manufacturing and construction companies.[9]

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[4] "PwC's 2023 US Family Business Survey" (May 16, 2023), *available at* https://www.pwc.com/us/en/services/trust-solutions/private-company-services/library/family-business-survey.html.
[5] Rutgers School of Management and Labor Relations, "Main Street Employee Ownership Act Summary", *available at* https://smlr.rutgers.edu/sites/smlr/files/Documents/Faculty-Staff-Docs/3-21-18_main_street_employee_ownership_act_summary_5_copy.pdf.
[6] National Center for Employee Ownership, "Employee Stock Ownership Plan (ESOP) Facts", *available at* https://www.esop.org/#:~:text=Employee%20Stock%20Ownership%20Plan%20(ESOP.covering%20almost%2014%20million%20participants.
[7] National Center for Employee Ownership, "Employee Ownership by the Numbers", *available at* https://www.nceo.org/articles/employee-ownership-by-the-numbers.
[8] National Center for Employee Ownership, *supra* note 7.
[9] National Center for Employee Ownership, "A Statistical Snapshot of ESOPs: Company and Participant Numbers, and Industry Distribution", *available at* https://www.esop.org/infographics/statistical-snapshot-esops.php.

According to information collected annually by the U.S. Department of Labor, in the Granite State there are approximately 30 ESOPs in privately held companies.[10] Of these ESOPs, approximately 27 are headquartered in New Hampshire (and that's important) –small towns in the Monadnock Region or White Mountains, cities like Manchester or Salem.[11] These are companies that are staying in New Hampshire and are heavily invested in the success of their communities. Those 30 New Hampshire ESOP owned companies cover over 4,600 participants, of which approximately 3,300 of those are identified as current employees.[12]

In New Hampshire, most of the ESOP owned companies are smaller businesses; in fact, more than two-thirds have under 100 employees.[13] Taken as a whole, however, these small businesses have ESOP plans that have accumulated significant wealth for their employee-participants. Together, New Hampshire ESOPs hold more than $800 million of retirement asset value for the employee-participants of those plans.[14] New Hampshire ESOPs also come from a wide variety of industries: approximately 33% are manufacturing companies, 30% professional services, 17% construction, 10% retail, and healthcare, finance and insurance, and miscellaneous services each make up 3%, respectively.[15]

Given the positive impact of ESOP owned companies, you might be wondering, why are there only 30 ESOP owned companies in New Hampshire? I believe there are two primary obstacles to the utilization of ESOPs as a positive succession strategy, not only in New Hampshire, but across the United States. First, there is low public and professional awareness about ESOPs. Second, there is a shortage and/or absence of lending capital for ESOP formations and their related stock acquisitions from business owners, which puts ESOPs at a disadvantage.

Before proposing how we can address those obstacles, I would like to take a few minutes to share with you a couple ESOP success stories from New Hampshire. I think these stories demonstrate well why ESOPs should be an option for any successful small business owner looking to make an impactful ownership succession planning choice.

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[10] National Center for Employee Ownership, "NCEO analysis of Dept. of Labor Form 5500 data" (last accessed Jan. 17, 2024).
[11] *Id.*
[12] *Id.*
[13] *Id.*
[14] *Id.*
[15] *Id.*

Yankee Publishing

Since 1792, across the U.S. consumers have thumbed through The Old Farmer's Almanac to predict the weather, learn a couple of jokes, or obtain new gardening tips. The Almanac is the oldest continuously published periodical in North America, and, for many years, Yankee Publishing has owned the exclusive rights to it.

Based in rural Dublin, New Hampshire, Yankee Publishing is an 88-year old family business that publishes (in addition to The Old Farmer's Almanac), Yankee Magazine, New Hampshire Magazine, and the NH Business Review, to name a few. It employs approximately 75 people in a region of New Hampshire where the town populations typically consist of 2,000 people or less.

When it came time to start seriously considering an ownership succession plan, Yankee Publishing had almost a dozen third generation shareholders, two of which worked in management, and a number of other family member shareholders. The combined ownership was looking ahead to around twenty-two children, and none of them were particularly interested in running the company. The need for a viable ownership transition strategy became pressing.

Ownership considered all of the standard succession options, including a shareholder buyout and a management buyout, however, no one had the capital or interest to pursue this option further. They next turned to the idea of selling the company to a third party, but not many people lined up to buy a publishing/media company. Ownership next considered selling the assets of the business. This was not seen as a viable option primarily because it would likely result in operations being moved out of Dublin and employees losing their jobs. Ownership felt they had a duty to continue to preserve not only the family legacy, but also Yankee Publishing's commitment to the community. As such, they spent some time researching other non-mainstream ideas, including the ESOP, and decided to go forward with the sale of the Company's stock to an ESOP for the benefit of the company's employees. Leadership of Yankee Publishing decided to approach the stock sale by selling 30% to the ESOP in 2019 and the remainder in 2022, which demonstrates the flexible and accommodating nature of the ESOP. Today the Company is 100% ESOP owned and the two shareholders that worked in the business before the sale of stock to the ESOP, continue to work at Yankee Publishing today.

Yankee Publishing ultimately chose the ESOP option for their ownership transition because the shareholders were willing to be patient with receiving fair value for their shares and they believed the ESOP would allow their business to remain independent and headquartered in Dublin; that employees would be able to retain their jobs, and, most importantly, that the employees, many of whom had been employed by Yankee Publishing for a long time, would get to share in the future value of Yankee Publishing.

I can report that today the 75 employee-owners of Yankee Publishing, headquartered in rural New Hampshire, are very happy with the decision of prior family ownership to sell the business to an ESOP.

Geokon

Now let me turn to a different and important industry - manufacturing. Geokon is a manufacturer of geotechnical and structural health instrumentation. Although they are headquartered in Lebanon, New Hampshire, they have an international presence. In the 1970's, after graduating from Oxford with an engineering degree, the company founder was working in the mining industry in Canada and began to see that modifications needed to be made to the geotechnical monitoring and measuring instrumentation that he was working with. Geokon was later formed in 1979 in Lebanon, New Hampshire in order to do just that – and it has been very successful.

For over 40 years now, the company has enjoyed consistent growth – they have acquired multiple buildings in Lebanon, New Hampshire, while also adding small offices in Singapore and Chile. As the founder would tell you, a central reason for their success is a culture that revolves around the concept of giving back to the community and Geokon's employees.

While the founder was at the helm of Geokon, the industry saw (and continues to see) many acquisitions by private equity consolidating manufacturing as well as service providers. With this in mind, and because of the founder's employee-centric philosophy and commitment to the community, he started looking for alternative business succession planning options. His research took many years, but after he learned about it, he knew the ESOP was the right fit for Geokon.

Important considerations in his decision to pursue an ESOP ownership transition included the realization that an ESOP would reward the employees, that it would maintain the local, community presence, that it would protect the business from being dismantled by industry focused private equity, that management would be able to retain day to day operational control, that there would be significant tax benefits for the company, and that there would be an opportunity to leverage the ESOP to further foster an employee culture of continuous improvement and success.

Today, approximately 140 employees of Geokon are still located in Lebanon, New Hampshire and benefit from ESOP ownership in the company.

Legislative Changes

While both Yankee Publishing and Geokon are great examples of successful ownership transitions utilizing ESOPs, we continue to struggle with the challenges of access to capital and a greater awareness of the ESOP succession strategy. Chairman Shaheen has supported several policy solutions to address such issues, including The Main Street Ownership Act passed in 2019, the Worker Ownership, Readiness, and Knowledge (WORK) Act in 2023, and Employee Equity Investment Act (EEIA) bill introduced in 2023, but more is needed. The Main Street Ownership Act passed in 2019 was championed as a win for ESOPs, but it was in fact slow in providing additional access to capital for ESOP transitions through SBA's 7(a) lending program, which due to certain procedural requirements, actually had minimal ESOP loans funded by the program. Since passage of the Act in 2019, I personally assisted only four companies to utilize SBA 7(a) loans in successfully financing their ESOP ownership transitions. According to the SBA reports, between FY 2018 and FY 2021 there were only 17 SBA loans to assist ESOPs in acquiring 51% or more of the equity ownership of small businesses.[16] Why have the numbers been so low? Unfortunately, the Act fell short in fully streamlining the lending process for small companies that desire to utilize an SBA 7(a) loan to finance an ESOP's purchase of company stock from the business owner. The exclusion of ESOP loans from the Preferred Lending Program caused inconsistency and delays in the review and approval of SBA 7(a) loans. Those are delays and risks that business owners are not willing to accept. However, I do believe that recent steps taken by the SBA to remove barriers in the SBA 7(a) loan process have been

[16] National Center for Employee Ownership (Oct. 31, 2022), "SBA Says Main Street Employee Ownership Act Has Not Produced Many ESOP Loans", available at *https://www.nceo.org/employee-ownership-blog/sba-says-main-street-employee-ownership-act-has-not-produced-many-esop-loans.*

successful. Just last month I assisted a business owner in transitioning 100% of their stock in a sale to an ESOP utilizing an SBA 7(a) loan, and the process was much faster! We must continue to streamline the SBA 7(a) loan process to make it more appealing to small business owners.

Turning to the other primary obstacle, The Main Street Ownership Act also directed the SBA to promote awareness of ESOPs and employee ownership. As previously mentioned, awareness of ESOPs is a primary barrier to businesses utilizing ESOPs for their ownership transitions. If a business owner and their professional advisors are unaware of how ESOPs work or that they even exist, they will lose out on the opportunity to transition ownership to an ESOP and instead sell to a third party buyer or simply shutdown the company. While The Main Street Ownership Act directs the SBA to promote such awareness, a step in the right direction, that only helps when the SBA has adequate support, structure and resources to implement that directive. The Employee Ownership Expansion Network reports that 40% of the 957 ESOPs created from 2014 through 2017 were by businesses located in states that had centers for employee ownership – that is a formal organization in the state to provide resources and education around the benefits of ESOPs.[17] The Work Act also took a big step in the right direction, as it requires the Department of Labor to establish an employee ownership initiative to promote employee ownership, which includes funding existing state programs or creating new ones. Again, we have seen initiatives passed previously but have limited impact due to how they were actually implemented. Focus needs to be given to ensuring the Work Act funding is made available quickly to those organizations that can maximize employee ownership outreach. The numbers show that if we can support the expansion of state centers throughout the United States while also empowering the SBA's promotion of ESOPs through Small Business Development Centers (SBDCs) and Women Business Centers (WBCs), business owners will have more access and be better educated on the ESOP succession option, which will lead to stable jobs and stronger communities.

Lastly, a number of our small businesses take advantage of programs for disadvantaged groups, including programs for minorities, women and veterans, to name a few. These businesses are

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[17] Employee Ownership Expansion Network, *available at* https://www.eoxnetwork.org/state-centers (last visited Jan. 19, 2024).

then penalized when they consider an ESOP ownership transition because the various certification requirements to qualify for such preferences generally require some portion of the company's stock to be owned by eligible members of the disadvantaged group, which does not consider the ESOP. As a result, those business owners must choose between a 100% transfer to ESOP ownership with a loss of their preferential status, or keeping their preferential status while finding an alternative ownership transfer option; which is a choice that typically has negative implications on the value of the stock of such business if they choose a sale to an ESOP. Fortunately, legislation has been proposed to address these barriers. The Employee Equity Investment Act (EEIA) directs SBA to study and report on alternative solutions for ESOPs, issue rulemaking to provide a path for majority ESOPs to maintain their contracting preference, and provide a two year grace period for majority ESOPs to maintain their preferential status. The EEIA also seeks to help bridge the capital gap that small businesses experience when considering options other than a third party sale.

Conclusion

In conclusion, there is a significant challenge for all privately held businesses across the United States - ownership succession. There are limited solutions for a business owner to solve that challenge. I propose to you that ESOPs can be a greater part of that solution, which will keep good jobs intact, strengthen local communities and, at the same time, allow business owners to receive the value of their businesses. With more awareness and understanding of the ESOP option, as well as greater and easier availability of capital to small businesses, we can ensure this once in a lifetime decision for many business owners to sell their companies, is also a win, win for employees and the communities they live and work in.

I appreciate the opportunity to appear before this Committee. I look forward to answering any questions you may have.

Chair SHAHEEN. Thank you, Ms. Croscut, and thank you for mentioning Yankee Publishing because it points to not just the jobs and the assets that are involved in the community, but the real cultural contributions that so many of our small businesses make that sometimes get lost when they cannot do the succession planning. So Mr. Schoening.

STATEMENT OF PALMER SCHOENING, CHAIRMAN, FAMILY BUSINESS COALITION, WASHINGTON, D.C.

Mr. SCHOENING. Chair Shaheen, Ranking Member Ernst and members of the U.S. Committee on Small Business and Entrepreneurship, thank you for the opportunity to address the important topic of small business succession here today. I currently serve as chairman of the Family Business Coalition, FBC. Our mission is to protect family-owned and operated businesses across the country.

Family businesses are the lifeblood of the American economy, providing good-paying jobs and enriching the lives of those in their communities. When a family business closes its doors, it is not only the employees who suffer. It is the little league baseball team that the local family business sponsors. It is the new wing of the Children's Hospital being built with the local support of family businesses that now has to be put on hold. It is the soul of Main Street that withers away when family businesses are sold off to multinational corporations or forced to close their doors for good.

Family businesses that we work with consider their employees to be family as well. When times get tough, both owners and employees tighten their belts to keep the business running. When times are prosperous, the employees of family businesses are the first to benefit. Most family business owners specialize in running their businesses but not in legal paperwork. Succession planning requires hiring expensive accountants, lawyers, and estate planning attorneys. Even business owners that plan effectively must remain on their toes because of constantly changing tax laws and regulations. All this diverted time, money, and energy could be better directed towards growing their family business, upgrading equipment, hiring more workers, or supporting their communities.

I show in Figure 1 of my testimony that fees can range between $5,000 to $15,000 just to set up a simple trust, and more sophisticated estate planning for larger family businesses can cost hundreds of thousands of dollars. It is easy to see how family farms or local mom-and-pop shops can be quickly overwhelmed by both the cost and time required to plan for the next generation.

The 2017 Tax Cuts and Jobs Act, TCJA, made important improvements to the Tax Code for passthrough businesses, including lowering marginal tax rates, creating a new small business tax deduction, and doubling the estate tax exemption. FBC supports making these changes permanent to provide predictability for family-owned businesses that have been forced to grapple with an ever-changing Tax Code over the past 25 years.

Congress is now quickly approaching another moment of crisis as most individual side tax relief will expire at the end of 2025. Another last-minute game of chicken between the parties approaching this deadline is the last thing that family businesses need. The Federal estate tax, commonly referred to as the death tax, presents a potential succession challenge for family businesses, especially inventory or land rich, but cash poor businesses that tend to operate on low margins, like family farms. When a family does not have the cash on hand to pay the estate tax, they may be forced to fire workers, sell off parts of the business, or, in the worst cases, close the doors of their family business permanently. As family business owners and farmers will tell you, annual expenses related to estate planning are a constant drag on business. According to the Tax Foundation, compliance costs related to estate and gift taxes totaled $18.9 billion in 2023. According to IRS data, collection from estate taxes totaled only $18.4 billion in 2021. These numbers show that the estate tax costs more to comply with than the government collects annually in estate tax revenue.

Given these massive compliance costs, the estate tax's negative impact on job growth, and the tiny amount of revenue that the tax collects, the Family Business Coalition stands in strong support of Senator Thune and Senator Ernst's efforts to eliminate the tax. Our FBC letter of support for the Death Tax Repeal Act included 150 signers, including groups like the Associated Billers and Contractors, Wine and Spirits Wholesalers, National Association of Electrical Distributors, and more. Ranking Member Ernst deserves credit for continuing to build consensus on this important issue and move the legislation forward in the Senate. FBC has also opposed a number of tax proposals that would make succession more difficult for family businesses, including eliminating step-up in basis and creating a new tax on unrealized capital gains.

If Congress hopes to improve the chances for family business succession, permanent tax relief for small businesses should be an immediate priority. FBC looks forward to continuing to work with both parties in Congress to help America's family businesses and farms pass to the next generation of ownership.

Thank you for calling this important hearing, and I look forward to the discussion here today.

[The prepared statement of Mr. Schoening follows:]

Palmer Schoening

Chairman, Family Business Coalition

Chair Shaheen, Ranking Member Ernst, and Members of the U.S. Committee on Small Business & Entrepreneurship: thank you for the opportunity to address the important topic of small business succession here today. I currently serve as Chairman of the Family Business Coalition (FBC). Our mission is to protect family owned and operated businesses across the country. Today I will discuss the importance of family businesses to local communities, outline current policy proposals that affect the ability of family businesses to pass to the next generation of ownership, and conclude by recommending Congress adopt policy changes that make family business succession easier. The views in my testimony here do not necessarily reflect the position of our Family Business Coalition member associations.

Family Businesses Create Jobs and Support Communities

Family businesses are the lifeblood of the American economy, providing good paying jobs and enriching the lives of those in their communities. When a family business closes its doors, it is not only their employees who suffer; it is the little league baseball team that the local family business sponsors, it is the new wing of the children's hospital being built with the support of local businesses that now has to be put on hold, it is the soul of main street that withers away when family businesses are sold off to multinational corporations or forced to close their doors for good.

The family businesses that we work with consider their employees to be family themselves. When times get tough, both owners and employees tighten their belts to keep the business running. When times are prosperous, the employees of family businesses are the first to benefit. At FBC, we have worked with family businesses of all shapes and sizes including pass-throughs like s-corporations, privately held c-corporations, and companies that are organized as ESOPs. As has been widely reported, the pandemic accelerated a discouraging trend of increased small business closures and consolidation. The time is now for Congress to make meaningful policy changes to prevent the closure and transfer of control of America's family-owned businesses into the c-suites of multinational corporations.

Family businesses and farms face a number of challenges when operating their businesses and planning for the next generation including dealing with federal, state, and local taxes. Compliance with taxes and regulations requires diverted time away from managing the day-to-day operations of a business. Most family business owners specialize in running their businesses, not in legal paperwork. For many of these family businesses, succession planning requires hiring expensive accountants, lawyers, and estate planning attorneys. Even business owners that plan effectively must remain on their toes because of constantly changing tax laws and regulations. All this diverted time, money, and energy could be better directed towards growing their family businesses, upgrading equipment, hiring more workers, and supporting their communities.

Figure 1 in my testimony, which lists common estate planning techniques and their associated fees, illustrates just how expensive this succession planning can be. As an example, consider that according to Figure 1, fees can range between $5,000-$15,000 to set up a simple trust. More sophisticated estate planning for larger family businesses can cost hundreds of thousands of dollars. It is easy to see how family farms or local mom and pop shops can be quickly overwhelmed by both the cost and time required to plan for the next generation. Publicly traded corporations, on the other hand, have constant access to outside experts, auditors, and dedicated accounting firms to assist with every aspect of their compliance. In addition, among other advantages, these mega corporations also enjoy much easier access to large pools of capital to finance their operations.

As it stands now, to pass on a family business or farm under current tax laws is an uphill battle and serious reforms are needed to make this transition less painful. Members of this committee on both sides of the isle deserve credit for having authored and supported legislation which could help make passing on a business easier. These proposals include making the estate tax less burdensome for family businesses and farms, and making the transition to become an ESOP easier. FBC supports these efforts while we oppose misguided proposals that would make transitioning to the next generation more difficult for family businesses like repealing step-up in basis and imposing a new tax on unrealized capital gains.

Addressing ESOP Transition Challenges

For most family businesses and farms, converting to an ESOP, unfortunately, simply is not within the realm of possibility. For many larger businesses that have the resources to undergo the transition, the Employee Stock Ownership Program model (ESOP), can be an attractive option for both owners and employees. The transition to becoming an ESOP, however, can be complex and costly. The larger companies we have worked with that made the full transition from pass-through businesses to ESOPs are generally pleased with the end result but the process to covert can be arduous. One larger business that we work with ran into a number of complications and costs along the way, including undergoing a feasibility study, agreeing on a valuation with the trustee, and setting up processes to comply with the Department of Labor. The entire process took over 18 months. It took nearly two full days just to complete the mountains of paperwork at closing. The last column and row of Figure 1 shows that the cost to transition to an ESOP can range between $50,000-$100,000 for a medium sized business.

While ESOP businesses deserve further attention, FBC is principally focused on the fact that most family businesses are currently organized as pass-through businesses. The main concerns we hear from the perspective of pass-through businesses include the lack of predictability in tax law, the steep compliance costs associated with succession planning, and the costs of taxes and regulations that must be accounted for when building a family business.

Tax Permanence and Small Business Succession

The 2017 Tax Cuts and Jobs Act (TCJA) made important improvements to the tax code for small businesses, including lowering marginal tax rates that small businesses pay across the board, creating a new tax deduction for qualifying small business income, and doubling the unified estate, gift, and GST exemptions. The Family Business Coalition supports making these changes permanent to provide predictability for family-owned businesses that have been forced to grapple with an ever-changing tax code over the past 25 years. Constant changes in the tax code affect planning and compliance for family business owners whose most valuable resource is their time. Being buried in paperwork prevents them from doing what they do best: creating jobs and serving the communities they are a part of.

Congress is quickly approaching another moment of crisis as most individual side tax relief will expire at the end of 2025. Expiring tax relief affects the standard deduction, all marginal tax rates, the Section 199A small business tax deduction, the child tax credit, the estate, gift, and generation skipping trust exemptions, and more. Another last-minute game of chicken between the parties approaching this deadline is the last thing that small businesses need.

Transfer Taxes Complicate Family Business Succession

When planning to pass their businesses to the next generation, family business owners and farmers must consider death taxes on both the national and state level. The federal estate tax, commonly referred to as the “death tax”, presents a potential succession challenge for family businesses, especially for “inventory or land rich but cash poor” businesses that tend to operate on low margins like family farms. When a family does not have the cash on hand to pay the estate tax, they may be forced to fire workers, sell off parts of the business, or in the worst cases close the doors of their family business permanently.

Larger family businesses that compete with publicly traded corporations may be forced to pay a 40% death tax at the turn of each generation, but publicly traded corporations effectively self-perpetuate without the added costs of estate taxes or succession planning. This incongruence in the tax law allows mega-corporations to swoop in upon the death of a family businesses owner or farmer and buy up these businesses at fire-sale prices. This trend must be reversed if we hope to prevent Main Street from being bought by Wall Street.

As family business owners and farmers planning for succession will tell you, annual expenses related to estate planning and compliance must be accounted for in addition to taxes imposed at death. According to the non-partisan Tax Foundation, compliance costs related to estate and gift taxes totaled $18.9 billion in 2023. In 2021, the last year that IRS Statistics of Income (SOI) data is available, collections from estate taxes totaled only $18.4 billion, less than one half of one percent of federal revenue. These numbers show that the estate tax costs more to comply with than the government collects annually in estate tax revenue. Economists from both sides of the isle have written about the inefficiency of raising revenue through taxes at death.

Complicating the compliance picture for family businesses even more, there are currently 12 states that impose their own estate taxes and 6 states that impose inheritance taxes. Maryland is the only state to impose both. These transfer taxes range in scope and severity with some states like Washington state levying a 20% additional state estate tax. Iowa recently joined the majority of states who no longer levy additional death taxes, with their state estate tax on a phasing out by 2025. Regarding state transfer taxes, the Tax Foundation concludes: “Estate and inheritance taxes are burdensome. They disincentivize investment and can drive high-net-worth individuals out of state. The handful of states that still impose them should consider gradually eliminating them or at least conforming to federal exemption levels.” Figure 2, using data from the Tax Foundation and state statues lists the states that currently impose additional death taxes. These multiple layers of transfer taxes complicate the succession picture even more for family businesses. Figure 3 shows federal estate tax returns by state over a twenty-year period from 1995-2015. In Iowa, as an example, nearly $2.4 billion was taken from taxpayers in federal estate taxes over that period.

Given the massive compliance costs associated with estate and gift taxes, the estate tax’s negative impact on job growth and the economy, and the tiny amount of revenue that the tax collects, the Family Business Coalition stands in strong support of Senator Thune and Senator Ernst’s efforts to eliminate the tax. Our Family Business Coalition’s letter of support for the Death Tax Repeal Act included over 155 signatories from industries across the economy including groups like the Associated Builders and Contractors, Wine and Spirits Wholesalers, National Association of Electrical Distributors, and more. Representatives Randy Feenstra (IA-4) and Sanford Bishop (GA-2) recently introduced a bipartisan House companion bill along with 162 original cosponsors. Ranking Member Ernst deserves credit for continuing to build consensus on this important issue and move legislation forward in the Senate.

Proposals Making Succession More Difficult

FBC has opposed a number of tax proposals that would make succession more difficult for family businesses, including eliminating step-up in basis and creating a new tax on unrealized capital gains.

Eliminating step-up in basis would force the current generation to pay capital gains taxes on the entire appreciation of a family business, even if that appreciation occurred during the lifetime of the previous owner. Multigenerational farms, ranches, and small businesses that started with little to no basis and have grown through generations of hard work and sweat equity have the most to lose from this proposed change. A 2020 study by Texas A&M University showed that 98% of family farms would see a new tax liability of nearly $730,000 if the step-up in basis rules were to be eliminated.

Imposing a new tax on unrealized gains, annually or at death would compound the difficulty of passing on a family business or farm to the next generation. Taxing unrealized or phantom gains creates a similar problem that the estate tax does for family businesses. Families who lack the cash on hand to pay an annual tax assessed on the value of their estate may be forced to liquidate parts of their family business to come up with the cash to pay the tax. Tracking and appraising assets annually would create an administrative nightmare for family businesses and federal agencies alike.

Changing the rules for how family businesses calculate their value for tax purposes and retroactively changing the rules for trusts has the potential to make void thousands of businesses long-standing succession plans. Retroactive changes along these lines would pull the rug out from under thousands of businesses, forcing them to undergo the expensive process of estate planning all over again. Eliminating step-up in basis, imposing new taxes on unrealized capital gains, and removing the tools family businesses use the plan for succession will only further tilt the table in favor of large multinational corporations and lead to further consolidation.

Conclusion

If Congress hopes to improve the chances for family business succession and resist consolidation of power into the c-suites of large multinational corporations, a comprehensive approach to the problem must be undertaken. This approach should include better education on the need for estate planning and meaningful, permanent tax relief for small businesses. FBC looks forward to continuing to work with both parties in Congress and our 157 partner associations to help America's family businesses and farms pass to the generation of ownership. Thank you for calling this important hearing and I look forward to the discussion here today.

Figure 1: Frequently Used Estate Planning Techniques for Family Businesses and Associated Fees

Estate Planning Technique	Description	Range of Fees
Basic estate planning documents	Wills, powers of attorney, and living trusts	$5,000-$50,000
Basic trusts	Basic trusts established to transfer assets to children and spouses	$5,000-$15,000
Retirement-benefit planning	Estate planning related to tax-deferred retirement plans, such as 401(k) accounts	$5,000-$50,000
Irrevocable life insurance trusts	Creation of ILITs to separate life insurance policies from taxable estates	$10,000-$25,000
Limited Liability companies (LLCs) and Limited Partnerships	Established to transfer ownership interests in a family business to subsequent generations while reducing the estate's interest in the business	$25,000-$250,000
Planning for the disposition of a closely held business	Advanced planning techniques, such as stock redemption plans and Employee Stock Ownership Plans used to transfer a business to family members or employees	$50,000-$1,000,000
Charitable trusts	Estate planning related to the deduction for gifts to charity, providing income to heirs for a limited time	$25,000-$100,000
Source: Planning techniques and cost estimates prepared by Michelle Gallagher CPA/ABV/CFF of the firm Gallagher, Flintoff & Klein, PLC, Lansing, MI, for the Family Business Coalition, January 2024		

Figure 2

2023 State Estate Taxes and State Inheritance Taxes

State	Estate Tax Exemption	Estate Tax Rates	Inheritance tax Rates
Connecticut	$12,920,000	12%	
Hawaii	$5,490,000	10.0% - 20.0%	
Illinois	$4,000,000	0.8% - 16.0%	
Iowa			0-6%
Kentucky			0-16%
Maine	$6,410,000	8.0% - 12.0%	
Maryland	$5,000,000	0.8% - 16.0%	0-10%
Massachusetts	$2,000,000	0.8% - 16.0%	
Minnesota	$3,000,000	13.0% - 16.0%	
Nebraska			0-15%
New Jersey			0-16%
New York	$6,580,000	3.06% - 16.0%	
Oregon	$1,000,000	10.0%-16.0%	
Pennsylvania			0-15%
Rhode Island	$1,733,264	0.8% - 16.0%	
Vermont	$5,000,000	16%	
Washington	$2,193,000	10.0% - 20.0%	
District of Columbia	$4,528,800	11.2% - 16.0%	

Source: Tax Foundation, State statues

Figure 3

Total estate taxes paid 1995-2015 by state							
State of residence	Total number of filers	Total filers paying the estate tax	Total paid in estate taxes (thousands)	State of residence	Total number of filers	Total filers paying the estate tax	Total paid in estate taxes (thousands)
Total	1,162,676	541,903	$383,106,423	Missouri	21,858	10,882	$7,000,785
Alabama	11,565	5,291	$3,656,219	Montana	4,299	1,970	$705,992
Alaska	1,227	326	$148,470	Nebraska	8,880	3,994	$2,045,313
Arizona	18,315	7,794	$5,820,142	Nevada	6,616	3,067	$4,041,732
Arkansas	7,196	3,178	$2,547,114	New Hampshire	5,193	2,301	$1,795,378
California	192,164	90,503	$70,238,719	New Jersey	45,219	21,536	$11,694,879
Colorado	15,154	6,758	$4,239,786	New Mexico	5,151	2,203	$1,320,825
Connecticut	22,494	10,013	$8,162,107	New York	88,185	42,235	$37,287,465
Delaware	3,752	2,007	$1,533,058	North Carolina	26,718	11,705	$6,734,453
D.C.	4,036	2,244	$2,386,728	North Dakota	2,881	952	$261,957
Florida	106,590	51,010	$46,869,770	Ohio	40,261	18,836	$11,831,274
Georgia	22,172	9,340	$7,250,128	Oklahoma	10,985	5,843	$3,052,398
Hawaii	5,368	2,444	$1,505,781	Oregon	13,294	5,536	$2,887,931
Idaho	3,283	1,526	$842,675	Pennsylvania	45,742	22,102	$13,644,112
Illinois	57,989	28,696	$16,810,344	Rhode Island	4,430	2,013	$1,151,051
Indiana	19,670	9,069	$4,431,758	South Carolina	13,905	5,309	$3,221,067
Iowa	16,721	6,693	$2,458,030	South Dakota	3,269	1,380	$644,666
Kansas	11,433	4,922	$2,635,664	Tennessee	16,251	7,046	$4,192,674
Kentucky	10,272	4,903	$3,198,758	Texas	58,499	27,053	$21,340,498
Louisiana	10,195	4,966	$3,488,921	Utah	4,417	1,687	$1,381,559
Maine	4,939	2,581	$1,556,747	Vermont	2,626	1,339	$828,739
Maryland	22,921	10,848	$6,613,373	Virginia	29,166	14,394	$8,868,751
Massachusetts	33,232	15,461	$9,155,030	Washington	24,128	10,975	$5,994,360
Michigan	30,258	13,957	$9,193,261	West Virginia	4,355	2,154	$958,547
Minnesota	17,056	7,088	$4,183,103	Wisconsin	17,141	8,077	$4,957,970
Mississippi	5,827	2,642	$1,505,933	Wyoming	2,194	879	$1,062,722

Source: SOI Tax Stats - Estate Tax Statistics Filing Year by State (Table 2)

Chairwoman SHAHEEN. Thank you all very much for your testimony. I want to ask each of you to tell us—each of you provided a number of options for what we should think about as we are looking at succession planning, but as each of you think about what is the most important thing that this Committee could do to promote more succession planning for families, what is the one thing that you would say, Mr. Snider?

Mr. SNIDER. I would say educational programming. I think that most owners, as you heard in my testimony, do grow successful companies, but they are not relating that to the overall value and an eventual transition. It is not necessarily because they are bad owners. I think, generally, because, I think as an owner myself, you are kind of just taught as an entrepreneur to do kind of what you heard in my testimony, grow something of success. So I think having educational programming that is available, readily available, I think is a critical first step in just generally changing the owner's mindset.

Chair SHAHEEN. Ms. Hildreth.

Ms. HILDRETH. Thank you for that question. I would say, based on what I see every day, we have to save our family farms. We feed the world, and succession planning for our farmers is critical. As I said in my testimony, we are old, and we need these young, vibrant, willing, and able-to-work farmers to step forward, and if they cannot—if they cannot own the land, we have seen where some of these not so nice people from other countries want to come in and buy up our land, and we just cannot allow that to happen.

Chairwoman SHAHEEN. And how do we get more young people interested in family farming?

Ms. HILDRETH. The young—I think the young people are there. It is all about risk. Will the banker take the risk of the young kid who cannot buy the entire farm because half of it has to go towards paying capital gains tax? So if we can fix that—kids who grow up on the farm really do not want to leave the farm, but they are forced to because land costs, equipment costs. I will tell you what. If you talk to kids that grew up on the farm where I am from, they all want to stay there, and if they can, they do. They have to find a way, and we have to help them to find the way to stay on the farm, own the land, and continue to feed the world like Iowa does.

Chair SHAHEEN. Ms. Croscut.

Ms. CROSCUT. So I am going to go back to education. I do think it is all about education, and not only providing it, but helping other organizations to provide that education so that it gets widespread, whether it is about ESOPs or estate tax, or it is about different succession options, I think it is all about making sure that the business owner knows what is out there, right? They cannot plan around anything if they do not understand what the options are. And so to me, I would agree. I think the number one is the education aspects of everything we are talking about and being able to spread the word.

Chair SHAHEEN. And do you see a role for—is that something you see that the Small Business Administration should help do?

Ms. CROSCUT. Absolutely. Yeah.

Chair SHAHEEN. Mr. Schoening.

Mr. SCHOENING. My number one recommendation would be permanent tax policy. If you look like—look at policies such as the estate tax, over the past 25 years, the exemption and rate has changed 20 times. It makes it incredibly difficult to plan if family business owners cannot project forward at least 10 years with respect to tax policy.

Chair SHAHEEN. So, Mr. Snider, as you are talking about educating people around estate planning, how does the estate tax factor in your discussions with small business owners?

Mr. SNIDER. Certainly. So I think the estate tax is obviously a critical conversation, but, for me, I just step all the way back. If you look at small business owners, 70 percent of them have no estate plan, and something like 76, I think it is, they do—they do not have a will. So I think, obviously, the estate tax conversation is a critical one, but I think we got to go all the way back to say most of them do not even the estate plan, so are they even considering the tax yet?

Chair SHAHEEN. And so what—how do you advise people when you hear that from the small business owner?

Mr. SNIDER. From the standpoint of not having a—having an estate plan?

Chair SHAHEEN. What do they tell you is the reason why, number one——

Mr. SNIDER. Sure.

Chair SHAHEEN [continuing]. And then what—how do you convince them that this is something that they really need to do?

Mr. SNIDER. This goes back to education and the change of the owner's mindset, right? So I think it first starts with a conversation. I think, again, most owners are concentrated on that daily, especially the small business owners and that lifestyle company. What they are not thinking about is this value creator mindset. Whether you are the big manufacturing company or the dry cleaners or the auto mechanics shop on the corner, they are in the day-to-day. They are not looking long term. So when we sit down with a business owner, we try to look at it across all three elements—business, personal, and financial—and have a more of a long-term value type conversation with them.

Chair SHAHEEN. Thank you. Senator Ernst.

Senator ERNST. Thank you very much. Ms. Hildreth, let us start with you, and thanks again for being with us today and sharing your work on behalf of Iowa's small businesses and your personal experience with succession planning for your own business. As the executive director of Calhoun County Economic Development Corporation and a small business owner yourself, you do have that firsthand knowledge on the taxes that small business owners face. Can you explain in more detail the concerns that small business owners and farmers have about capital gains taxes during the succession process?

Ms. HILDRETH. Thank you, Senator Ernst. From my own experience, I grew up on the family farm, and when my parents passed away—my mother passed away in 1992, my father, 15 years later—I inherited, along with my brothers and sisters, the family farm. What a glorious day, and my tax attorney—when I got that check, the tax attorney said to me, now, take 25 percent of that and put it away because you are going to have to pay your capital gains tax, and at that time, inheritance tax at the same time. What a blow. And I questioned, my parents worked for 50 years building this farm. Every dime went back into the farm other than what we needed to live, and we did not live an extravagant lifestyle.

Senator ERNST. Mm-hmm.

Ms. HILDRETH. And my father paid taxes the entire time—property taxes, income tax, profit tax—and it is unfair, in my opinion, that when that passed along to his children, we were taxed again. In Iowa right now, capital gains tax is 6 percent, but at the Federal level, it is either zero percent, 15 percent, or 20 percent, based on your income level, so now potentially 26 percent again for capital gains. It inhibits the progression of the family farm for those landowners, and I just do not want to see those family farms go away. I live in rural Iowa by choice, and that is where I want to stay, and I want my neighbors to do well. And as economic development director, I see them everywhere, and everybody knows everybody in my community, and if somebody is suffering, we all know about it, and it is devastating to the environment. It is devastating to the community.

My personal business, we are an underground utility contractor. You got a sewage problem, who are you going to call? You are going to call us, and that is devastating if you are in the midst of it, and we want to make sure that my company, as other essential service providers, are here to handle those details, those messy details. A lot of times for our future, it is all about our future.

Senator ERNST. Yeah. Thank you. Thank you, Ms. Hildreth, and, Mr. Schoening, thanks again for joining us, and I am glad that you are working to support our small family-owned businesses. In 2017, we did pass the TCJA, a tax reform law that helped Main Street and the American middle class. This included doubling the death tax exemption and indexing it to inflation. These provisions are set to expire at the end of 2025. What issues do you see small business owners facing if Congress allows the reforms we made to the death tax in the TCJA to expire?

Mr. SCHOENING. Well, if that relief expires, Senator, we can count on more family farms and businesses being in the crosshairs of the estate tax certainly, and as you know, it is not only the estate tax exemption that expires. It is the 199A small business deduction. It is marginal tax rates across the board. It is even the standard deduction. And so this is overwhelming to think about for our business owners, and that is why we are pushing for a permanent extension of the current policy.

Senator ERNST. Okay. Thank you, and I will yield back. Thank you.

Chair SHAHEEN. Senator Cardin.

Senator CARDIN. Thank you, Madam Chair, and let me thank all of our witnesses, and thank you for this hearing. To me, it is an extremely important aspect.

Small business owners, yes, education is important, but when you are at the beginning stages of a small business, your entire attention is towards making your business viable, doing everything you need to keep the business going. You cannot really take that much time to try to figure out what is going to happen 20 years from now or 30 years from now. That is understandable, and you do not have consultants on staff that can help you deal with those types of challenges. So the reality is that small business owners start a business, it grows, and then at some point, they realize they have an issue they have to deal with.

And secession planning is challenging for many different reasons. Some of it is a family-owned small business, you can have family dynamics that make succession a challenge, and as you get to generation two or generation three, it gets more and more complicated, particularly if you have large families, and I am not against large families, but it does make it more complicated. Add to that that you have principals in the business that have now reached an age where they would like to step back. Do they have retirement security? Do they have to take the equity out of their company in order to deal with their retirement needs, which affect the succession of their small business? These are all challenges that we have to figure out how do we deal with as we go forward? We try to deal with some of this on Secure 2.0 by offering additional retirement options for smaller companies so that they could participate without the cost or burdens that larger—the requirements on larger companies.

So, Mr. Snider, I would like to just have you dwell on that a little bit. Is there more that we can do to deal with the legitimate concerns of retirement security for small business owners so that they can get engaged at an earlier stage, recognizing years go by pretty quickly?

Mr. SNIDER. Yeah. Certainly, I think, going back to the education topic, I do. I ran—I started my first business when I was 16 out of the—out of my desk in the geometry class. I probably should have been paying attention more in geometry class——

[Laughter.]

Mr. SNIDER [continuing]. But nonetheless, I was certainly starting that landscaping company. But I think what we could do early and often, I think if you look at professional advisors, that is in the area that EPI works, having them also understand the exit planning process so you could have that conversation early and often. What we say at EPI is that exit strategy is business strategy. There is really nothing different, is that if you think about the things that you are doing, whether you are first starting or you have a more mature company, you are doing things in your business every single day that eventually will affect your exit from a business, personal, or financial standpoint.

To your point, owners aren't thinking about that early and—early and often, but I think that if—when they turn to their board, they turn to their mentors, they turn to something like the SBDC, the family enterprise center, if those folks that surround those owners are also educated in the process, they can begin that conversation early and often. My father is sitting behind me, and I am lucky enough to have a dad that is a certified exit planning advisor, so it becomes a lot more natural for me to have, but it was a conversation that Dad had with me early in my business career.

Senator CARDIN. A suggestion in regards to the services offered by resource partners is an area—that is an area, I think, that could significantly improve their services to small businesses, whether it is women's business centers or the small business development centers. I think they could do a more effective job, or it could have a higher priority on these type of issues, our veterans outreach business centers.

There is one tool that I have found that can be particularly helpful. There have been many companies in Maryland that have converted to ESOPs as an effort to provide a way in which the management owners can retire, have retirement security, and can keep the company going with its current workforce as co-owners. We have tried to make ESOPs more available and transitions into ESOPs easier. There are some times appraisal issues. We dealt with that in Secure 2.0 to make that a little bit easier. Do you see ESOPs as being a viable way that we could strengthen that tool to make it easier for small companies to have succession plans that keep their workforce intact, ownership intact, but allow their senior management to be able to have retirement security?

Mr. SNIDER. I would certainly have our ESOP expert to comment on that, too, but, yes, I think ESOPs, more so than ever in our country, are a strong exit option for many companies, something that Dad and I have even considered in our own business.

Senator CARDIN. Do you want to comment on that?

Ms. CROSCUT. Of course. [Laughter.]

Senator CARDIN. You have been identified as our ESOP expert.

Ms. CROSCUT. I absolutely agree with that. I would say that, you know, an ESOP is not the right tool for every company, right? Those of us who work in the ESOP space agree with that, acknowledge that. There are other options out there that are perhaps better depending on the company. But absolutely, having everyone who is included in the business owners' life and helping to advise them be aware of the options, including an ESOP, is really important. And I do believe there are many companies that are not aware of the ESOP option and they should be, and they would probably select the ESOP if they knew it.

Senator CARDIN. Thank you. Thank you, Madam Chair.

Chair SHAHEEN. Thank you, Senator Cardin. I would just point out that the second vote started at 2:59, and so Senator Ernst has gone to vote. When she comes back, I will go, but for others who have not voted, just be aware of that. I also want to welcome Mr. Snider's dad to the hearing. Make sure he does a good job.

Voice. [Inaudible.]

Chairwoman SHAHEEN. Yeah. Senator Hawley.

Senator HAWLEY. Thank you, Madam Chair. Thanks for having this hearing, and thanks to all of the witnesses for being here. Ms. Hildreth, I want to start with you, because I was just so struck by your opening remarks, and then your back and forth with Senator Ernst, particularly as it relates to farmers and the challenges that they are facing.

Missouri, which is the State I represent, we have 95,000, about, family farms in the State, and we are very proud of that. That makes us the second most by number in the entire United States, not by proportion, but by number, and, you know, we are not one of the biggest States in the country, so we are very proud of that. And I come from a farming background and so does my wife, so it is something that is very near and dear to my heart. And I just want to ask you a couple of things related to that and some of the comments that you made.

Let us just start maybe, though, with the capital gains issue and how that factors into succession planning that you have seen, you know, just your own experience. I mean, what does—you talked a little bit about your own experience with this and the unfairness and surprise of being told that, you know, here is—here is this farm that you have inherited but that you are also now responsible for, and the first thing is you have got a massive tax bill that you now have to pay. So just in your own observation and from your own experience, what is that like, and how do you think that affects farmers who are saying, boy, I want to—I want to keep this farm in the family, I want to give my son or daughter a shot at farming, but we have got to get around this obstacle, and just talk to us about that.

Ms. HILDRETH. Thank you, Senator Hawley. I have a very good friend. His name is State Senator Dan Zumbach, and he is in this situation with his son right now, and he was explaining to me the other day in the chamber, he says, we cannot succession plan and sell our land to our son. It just cannot work. We have to wait until I die, and then he and his three siblings will inherit, and then he will have to deal with buying them out, even though they have no interest in farming. And now the burden is to him, and it is—it has really put them in a place where they are frustrated, and as a State senator, I know he is looking at what can we do at the State level. So that is my experience as I talk to some of my colleagues.

Senator HAWLEY. Yeah.

Ms. HILDRETH. And my role is executive director of Calhoun County Economic Development. Well, I am 7 months into this job, so education is really key for me as a leader, as a community leader, and there is so much to learn. Everything that you are all talking about today are things that I need to go home and I need to learn more about. So I think it is from our leadership as well, you as a—as a senator, our representatives, our mayors, our county supervisors, to educate themselves and have these conversations at the church coffee——

Senator HAWLEY. Mm-hmm.

Ms. HILDRETH [continuing]. You know, at the fellowships, at the Sweet Corn Day celebration, you know, whatever it is. But I—it is really education——

Senator HAWLEY. Yeah.

Ms. HILDRETH [continuing]. And knowing what is there and finding, I am sorry, but back doors around things——

Senator HAWLEY. Mm-hmm.

Ms. HILDRETH [continuing]. Because we know all those back doors do exist. We just got to find them.

Senator HAWLEY. Mm-hmm. Let me ask you. Well, I just want to say it should not be that farmers or any other small business owner should have to go to a back door in order to pass along their business to their family, and, particularly, as you pointed out, with the land issue. I mean, you would think in this country—I think people who do not know anything about farming often think, oh, there is plenty of land. There is no—there is no land problem. There are gobs of land out there. Boy, you go tell that to a young farmer and trying to find land, trying to buy land. Nobody can afford land. Nobody can get a shot at it. I mean, so this is a huge, huge obstacle that we have got to solve.

I want to ask you in my brief remaining time here one other thing actually related to land that you brought up. You mentioned foreign ownership of land.

Ms. HILDRETH. Mm-hmm.

Senator HAWLEY. To me, this is such a huge issue. At a time when our younger folks cannot afford to buy land, farmland in our country, to have foreign nations and foreign corporations coming in and buying up that land, it just seems unbelievable. You mentioned it. I would just like to give you a chance to say something more about that. What is your perspective on it?

Ms. HILDRETH. It will kill the family farm. These foreign adversaries, they are going to come in, and if given the opportunity, they are going to suck up the good land, and who knows what they are going to do with it? Our farmers, our Iowa farmers, as I am sure our Missouri farmers, are stewards of the land. They take care of the land. They reinvest in the land. They are worried about water quality. They are worried about cover crops. They are stewards of the land, and my fear is some of these other companies that come in and buy land, they are not going to be stewards of our land.

Senator HAWLEY. Thank you, Madam Chair.

Chairwoman SHAHEEN. Thank you, Senator Hawley. Senator Rosen.

Senator ROSEN. Well, thank you, Madam Chair, really, for holding this hearing today, and thank you for the witnesses for being here. I am going to thank the dad as well and, of course, all your parents, spouses, siblings, your whole families.

But, you know, this issue is so important because small business is the backbone of America. It really is part of the American Dream, and I can tell you that in Nevada, 99 percent of businesses are small businesses, and so that just continues to grow, and it is a backbone of my State as well. And we have a really deep rural frontier State in so many ways, and small businesses, they just play a crucial role in my rural communities all across Nevada. And they are key employers from the backbone of our local economies. They help create wealth through long-term family business ownership, just like you are talking about, whether it is a family farm or some other kind of business. And so it is critical that we create the environment for our rural communities so those businesses can continue operating and serving the residents even after a change in ownership.

So, Mr. Snider, you are getting all the questions here today. Can you discuss the importance—you did talk about the importance of succession planning, but in rural communities, we have in Iowa, New Hampshire. You know, D.C., I guess we have—around us is rural, but rural communities may not have as many resources as maybe some of our urban communities just to seek out as far as even from the SBA or attorneys and the like. What can we do to be sure our rural communities do not get left behind?

Mr. SNIDER. I like the conversation around, like, economic development centers, family enterprise centers. Even think about, like, your schools, like, alumni associations.

Senator ROSEN. Oh——

Mr. SNIDER. So there is, like—we have worked with colleges and universities——

Senator ROSEN. Uh-huh.

Mr. SNIDER [continuing]. And perhaps there is a committee on entrepreneurship——

Senator ROSEN. Right.

Mr. SNIDER [continuing]. That that alumni association has. So, again, I know it is kind of maybe——

Senator ROSEN. A community college——

Mr. SNIDER. Like a community college.

Senator ROSEN. Yeah. Yeah.

Mr. SNIDER. Yeah. Sure. So I think it is critical for the—for the rural communities because there is just less businesses there.

Senator ROSEN. Mm-hmm.

Mr. SNIDER. And to your earlier point, really the backbone of that community. I think you were talking in your testimony about the little league baseball team and the things that business owners do, particularly in those smaller communities.

So I think I go back—I know I have said it 3 times now here in this hearing, but I think it goes back to education and just that critical mindset shift for the business owners and the people that surround them provided through smaller organizations like an SBDC, alumni association, and again, changing that conversation.

Senator ROSEN. Being sure they get out to our rural communities is particularly important.

Mr. SNIDER. Right.

Senator ROSEN. And we do know they sponsor all the—all the sports teams——

Mr. SNIDER. Yeah.

Senator ROSEN [continuing]. And so many other things. A lot of our social services are also sponsored——

Mr. SNIDER. Sure.

Senator ROSEN [continuing]. And supported—local social services by our philanthropies by our philanthropies, by our business community as well. And in Nevada, we are a younger State. We have a lot of first-generation business owners all through the state, 280,000 small businesses, like I said, and about 20 of them are—20 percent of them are Latino owned and many more are minority owned in general, and so they are incredibly small businesses, family-run businesses, first-generation businesses.

And only half—particularly our Latino community, only half of our Latino business owners have a succession plan in place, and I am concerned about the long-term success of these businesses. And so, Ms. Croscut, we are going to move over to you this time. What challenges do you think first-generation small business owners, especially those maybe from some of our minority communities, face when navigating the complexities of succession planning?

Ms. CROSCUT. I am assuming it is overwhelming, you know, for any first-generation who is probably trying to figure out how to run the business and not really thinking about the exit strategy there, but I think there are a lot of those companies out there, right?

Senator ROSEN. Mm-hmm.

Ms. CROSCUT. There are probably as many as there are retirees transitioning, and they need the same level of assistance from their advisors. There are all kinds of, you know, potential challenges, right?

Senator ROSEN. Yeah.

Ms. CROSCUT [continuing]. Whether it is getting financing for what they need for the business, whether it is figuring out what the exit strategy will be, getting labor. You know, there are labor shortages.

Senator ROSEN. Labor shortages. Very hard in our rural communities.

Ms. CROSCUT. Absolutely.

Senator ROSEN. Yeah.

Ms. CROSCUT. So just the—just the day-to-day is a lot, right, for any first-gen business, and then to sort of figure out what am I going to do next when the business has run its course and I need to retire, so.

Senator ROSEN. Well, I see that my time is just about up, so I will yield back because—are you quite ready there, Senator Hickenlooper?

Senator HICKENLOOPER [continuing]. 30 seconds.

Senator ROSEN. I will turn it back to——

Senator HICKENLOOPER [continuing]. 10 seconds.

Senator ROSEN. I will back to—we will filibuster here. [Laughter.]

Senator ROSEN. Thank you all again for being here. I yield my time back to Chair Shaheen. Thank you.

Chair SHAHEEN. Senator Hickenlooper, if you are not ready, I think Senator Ernst and I are going to do another round. So if you are ready——

Senator HICKENLOOPER. No, I am ready.

Chair SHAHEEN. Go ahead. Okay.

Senator HICKENLOOPER. I am ready. So I have been looking forward to this as someone who has loved looking at things like ESOP. You know, Colorado has a wonderful brewing company called New Belgian Brewing Company, and the founders of that were old friends of mine from my early days. I always point out that they were a couple of years after we were. But anyway, that notion of being able to take a workforce that often functions like a family and basically include it as part of your estate planning, and figuring out a way to make sure that that magic and that chemistry is preserved and, at the same time, creating opportunities is a big deal.

I will start with Ms. Croscut. Back in 2007, I sold the—my brew pub. We didn't use an ESOP, but I sold out to my partner and then a number of our senior employees, and they were able to—he guaranteed to take them on and function in a similar way. These days, transitioning to employee ownership probably is easier ever in Colorado, thanks to the State has an employee ownership office. There is a commission on employee ownership and an employee ownership tax credit that have all been put into place kind of at the end of when I was governor and now. What elements of Colorado's system to support employee ownership should the Federal Government consider adopting?

Ms. CROSCUT. Thank you for raising that question. I think there are many aspects to what Colorado is doing that the Federal Government can take as sort of a path, a strategy. One of those is just the idea of setting up State centers with State funding or government funding. We have seen that in the ESOP community at large, that the centers in various States—I sit on the board of the Vermont Employee Ownership Center as an example. Centers that are set up in schools, colleges, you know, their financial issues are different than the centers that are set up with Federal-State funding availability. They are—they are more consistent, right, and they can do things that other centers that are outside of that and not getting that funding might not be able to do.

They also bring somewhat of a sense of sort of a stamp of approval, right, to the people who utilize them, because if they are set up as a sort of government entity of sorts. When a business owner reaches out to them, it is sort of like, okay, well, this entity offering ESOP education or employee ownership education has that sort of sense of approval versus maybe a consultant who is in a not-for-profit or something like that. So there are just some really large benefits, we think, from that structure.

Senator HICKENLOOPER. Good.

Ms. CROSCUT. Yeah.

Senator HICKENLOOPER. Great. I would ask each of you, there was a book called the "Great Game of Business." I am sure some of you have seen that, but it is talking about the Springfield Remanufacturing Company, which I actually went to visit at one point when I was still in the private sector just because I wanted to see about them. But one of the—one of the, I thought, great things about ESOP and that kind of transition is that it leads you to open book management, whereby, you know, you do not know the details of what your coworkers are getting paid, but you are able to see what the revenues are, what your costs are, and how well you are doing, which I found to be very beneficial. What is your take on that in terms of that open book management?

Mr. SNIDER. It is something that we have in our own—our business is not a—is not an ESOP, but I would challenge any business owner to be more open with their employees and create that culture. I think certainly in the ESOP world, more open than ever because you have to be, but I think that kind of open book culture, especially for younger generations, who, I think, look for ownership or ownership in some form. I think a critical path for creating a great business is kind of an open book, open culture policy.

Senator HICKENLOOPER. Right.

Ms. HILDRETH. Thank you, Senator, for that question. I am a small business owner, and our employees see a number on a whiteboard in my office, and these are young men, not out of college very long, great employees, salt of the earth, great people. But they walked in my office one day and they said, what does that $159.87 mean—hundred and fifty-nine and eighty-seven cents—and I said to them, that is how much money we need to bill every day, 365 days a year to cover our insurance cost. I need them to be aware of things like that, that as an employee, you do not worry about general liability insurance or workman's comp insurance. You are worried if you are going to get a paycheck.

So I think it is mentorship, and it is going to the basic foundations of operating a business and educating your employees. These are the challenges. This is why it is so important that you do this or you do that or why I do this so you get paid.

Senator HICKENLOOPER. Yeah, I agree, and that is one of the open book lens of that kind of mentoring. Anything to add?

Mr. SCHOENING. I think you will find, generally, with family businesses, they do have an open book policy, even if it is not mandatory. When things go wrong in a family business or times get tough, everybody tightens their belts together. That is somewhat different than a multinational corporation where the executives' pay may be tied to the stock performance or something like that, but it is a much different dynamic in a family business or a family farm, and I would say, for the most part, I would associate myself with what Theresa said. She runs an open book type policy, and I think a lot of our family businesses do as well.

Senator HICKENLOOPER. Right. So interesting. I am out of time, but I will leave you with just the one thought, that a couple of different polls have gone out and talked to people about the primary motivation that people use to start a business. And I was shocked that, you know, over three-quarters of people, it is not to make more money. It is because they do not want to have a boss, and I believe that so deeply, and when I finally understood that, it really changed my worldview about small business and what an important and powerful thing it is. Thank you. Thank you all for coming in today.

Chair SHAHEEN. So how does that track with the fact that now that you are in the Senate, you have thousands of bosses in your constituents?

Senator HICKENLOOPER. No, no, no. I view myself as their servant——

Chair SHAHEEN. Okay.

Senator HICKENLOOPER [continuing]. In the same way that as a restaurant, I try to serve all my staff.

Chair SHAHEEN. Good.

Senator HICKENLOOPER. But I still think I am the boss of my life.

Chair SHAHEEN. Thank you, Senator Hickenlooper. I have—Senator Ernst had another engagement, so she needs to leave, and I have to go vote, but I do have one final question, Ms. Croscut, that I would like to ask you, because in your opening statement, you talked about the 7(a) Loan Program and changes that have been made to try and make those more helpful to ESOPs. Have you seen that that has made a difference in terms of interest in using the program?

Ms. CROSCUT. Excellent question. So I think I would respond to that in two ways. The level of interest, I think, is related to, again, back to education, unfortunately, right? We had some struggles with that program, but you do not get to the program until you first hear about ESOP, so if you are not hearing about ESOP, you are not getting to that stage of using the 7(a) loan.

What I have seen in my recent experience is that the program has improved, that we were able to use it, at least in a recent engagement, to transition to a hundred-percent ESOP ownership in a successful way that was not traumatic. In previous experiences, it was a little bit traumatic. It was very drawn out. There were a lot of requirements that were difficult for us to really provide to SBA, but there have been certainly some improvements, and I think it is just going to take some time and some additional education to be able to utilize that fully in the new state that it is being offered.

Chair SHAHEEN. Thank you. That is helpful, and as we are talking about education, virtually all of you have mentioned the importance of educating small business owners about the challenges of succession planning, and I think we would all agree that SBA has a role to play in that. The resource agencies, the women's business centers, SBDCs also have a role to play. Is there more that could be done by those agencies, or should we be asking them to partner with other entities or organizations to try and get the word out about the resources that are available to people? Any thoughts about—final thoughts, Ms. Hildreth?

Ms. HILDRETH. In Iowa, we have a program that is starting up not too far from me. It involves nine counties, and it is called Hub 7 1–2. It is federally funded. It is a 2-and-a-half-year program. I do not know a lot about the backside of it.

Chair SHAHEEN. Do you know who funds it, through what agency? Is it funded through rural development, or through——

Ms. HILDRETH. I think it is through rural development, and it—the process has been going on. The Greater Carroll Economic Development Corporation is leading that for Carroll County and eight counties surrounding that. And Hub 7 1–2, it is all about growing entrepreneurs and bringing to them the tools that they are not finding someplace else. Maybe they do not know where to look, but the backbone of it is mentorship, and I think mentorship, it goes to the heart of us as leaders and wanting to grow. Why not ask the guy who has been through it all and through this program?

Chair SHAHEEN. Yeah.

Ms. HILDRETH. And through this program—like I—like I said, I know it is federally funded. It is going to launch. I think they are going to name all the entrepreneur or the leaders in February. That is going to be a great day for Iowans and others across the United States that are going to have these hubs to help them help our entrepreneurs.

Chair SHAHEEN. Other thoughts? That is a great example. Mr. Snider.

Mr. SNIDER. Yeah, Senator, if I may, I would say I think any great organization has grown through partnerships. So in Colorado, actually, we have a local chapter, so the Exit Planning Institute has about 30 chapters across the United States where business owners and business advisors come together to talk about exit planning and gain partnerships and gain further education around the topic. Governor Polis there actually funded a regional State of Owner Readiness Survey so that he could better understand the business owners within his State, and through that, the ESOP organization, through the government, has now worked with our organization to fund things like online education, something easy and simple that an owner can come online to and take owners forums, further research, and whatnot.

So yes, the short answer is absolutely, and I think the agencies and the organizations locally should look to partner to bring that—to bring more awareness and education to business owners.

Chair SHAHEEN. Great. Mr. Schoening, Ms. Croscut.

Ms. CROSCUT. All right. I will jump in. I think the Main Street Ownership Act actually directed the SBA to help with the education around ESOPs, employee ownership in general. We have seen some of that, but it hasn't been as full, I guess I would say, as we would like it to be. So I would say, yes, there is more to be done. The act certainly was helpful in sort of providing the directive, but we would love to see more of that outreach and probably more education for those SBDCs. For example, you know, if they do not have the knowledge, they cannot share it, so.

Chair SHAHEEN. So maybe this Committee should direct the SBA in doing more succession planning.

Ms. CROSCUT. That would be fantastic.

Chair SHAHEEN. Mr. Schoening, the last word.

Mr. SCHOENING. So from our perspective, family-owned and operated businesses, a lot of them work with local colleges on career and technical education. For example, an electrical company may partner with a college that already has this equipment on hand, and they can train people in exactly how to use it, exactly how to repair it. So there may be some opportunity there to pair up with local colleges that specialize in estate planning and do some more education in terms of what they need to do, the will they need to have in place, the plan they need to have in place, and things like that.

So yes, I do think that there is more of an opportunity for us to educate our members, especially family business owners and farmers, who, as we have heard here today, simply aren't prepared for succession.

Chair SHAHEEN. Well, thank you. I agree. We have a—we have a great example at the University of New Hampshire, a center that helps with succession planning, but one of the challenges is helping people know it is there, and I think getting the word out, as you have all mentioned, is really important.

So thank you all very much again for being here today and for your testimony. We look forward to staying in touch and hope that, Mr. Snider, you will share with us the results of your survey when you get it, and as all of you are working in your areas, that you will think about sharing with this Committee any ideas that you have.

The record—the official record will remain open for 2 weeks for any additional questions and statements.

[The information follows:]

Statement for the Record
for the
Senate Committee on Small Business and Entrepreneurship
hearing entitled,

"Succession Planning: Opportunities to Build Wealth and Keep Jobs in Local Communities"

428A Russell Senate Office Building at 2:15PM

January 24, 2024

Brett Palmer
President
Small Business Investor Alliance (SBIA)

SBIA
SMALL BUSINESS
INVESTOR ALLIANCE

On behalf of its members, the Small Business Investor Alliance (SBIA) submits the following statement for the record of the Committee on Small Business and Entrepreneurship hearing entitled *"Succession Planning: Opportunities to Build Wealth and Keep Jobs in Local Communities."*

The Small Business Investor Alliance

SBIA was formed in 1958 to represent Small Business Investment Companies, the original American venture capital and private equity funds. As the small business investing market grew more complex, so did SBIA. SBIA now includes Small Business Investment Companies (SBICs), Rural Business Investment Companies (RBICs), Business Development Companies (BDCs), conventional private equity funds, private debt funds and other funds investing in American private small businesses. We also represent the institutional investors (e.g. community banks, university endowments, pension funds) who invest into these small private funds. Our association's purpose is to represent the entire lower middle market investing ecosystem, both General Partner and Limited Partner. As such, our public policy goals are balanced and focused on maintaining a robust, healthy, and competitive market for investing in American businesses.

The Small Business Investment Company Program

Small Business Investment Companies are an American success story and an example of a successful federal public policy that aligns the power of private markets with the public interest of job creation and economic growth. Congress declared in its original authorizing legislation that the SBIC program should "stimulate and supplement the flow of private equity capital and long-term loan funds which small business concerns need for the sound financing of their business operations" while also stimulating the national economy and job growth.[1]

SBICs invest exclusively in domestic small businesses, creating jobs and empowering U.S. small businesses to compete in a global economy. Companies that in their early stages received SBIC investments and have subsequently grown into icons of American industry include Federal Express, Apple, Intel, and Callaway Golf. While these are recognized companies globally, many more small businesses backed by SBICs have grown from smaller businesses into robust, sustainable mid-sized businesses.

At the end of FY2023, the SBIC program has grown to nearly 320 licensed funds with combined SBA commitments and private capital exceeding $42.5 billion, an increase of 40 percent since 2019 and the highest level ever in program history.[2]

SBICs Support Businesses in Succession Planning and Generational Transfers

Roughly half of the nation's privately held companies are owned by those who are nearing retirement, representing approximately 2.3 million employer firms with close to 25 million workers in total. Although more than half of these small business owners expect to retire within the next ten years, studies indicate very few have a formal exit plan in place. However, this is a great opportunity to not only save jobs in our communities but put people before profits.

SBICs and private equity play a critical role in successfully managing generational transitions, particularly for SBIA's funds. Most small businesses are "lifestyle businesses" that provide a fulfilling career and support a family, but the business will end when the owner ceases working. But there are also many businesses that are capable of continuing past their founder's time and many of these founders are aging.

[1] Small Business Investment Act of 1958, Pub. L. 85-699 (Aug. 21, 1958). 15 U.S.C. 661.
[2] *Small Business Investment Company (SBIC) Program Composition for the fiscal year ending September 30, 2023* (last visited Jan. 11, 2024).

There are hundreds of thousands of successful businesses, commonly small businesses, that were founded by baby boomers or post-baby boomers, whose owners need to retire and whose business still has its brightest days ahead. In many of these businesses the founder/owner does not have a child who is willing or able to take over this business. Without a buyer, often a private equity fund or a management team backed by a private equity fund, many of these otherwise successful small businesses will simply shut down – harming their employees, the economy, and their communities.

SBICs are essential not only to the success but, in certain cases, survival of these transitioning smaller businesses that bring prosperity, employment, and hope to communities across the country, many in Low and Moderate Income (LMI) areas, and underserved markets, because there were no other sources of capital available to them for succession planning.

Over the last five fiscal years, on average, SBICs have invested over $7.6 billion annually in over 1,160 small businesses, creating or sustaining nearly 130,000 jobs annually.[3] Twenty-five (25%) percent of SBIC investments were made in small businesses that were either women-, minority- or veteran-owned, or located in LMIs areas.[4]

What Can Congress Do to Improve Capital Access for America's Small Businesses, Build Wealth, and Keep Jobs in Communities?

Congress can provide statutory relief to allow more SBIC investment into America's small businesses.

1) **Pass H.R. 5333 – Investing in All of America Act**

   America's small businesses should be able to access growth capital when they are ready for it. This should be true not only for businesses near financial centers, but also for rural and low-income areas. This bipartisan legislation, introduced by Reps. Meuser and Scholten, will incentivize private capital investments in the parts of America that are too often overlooked. Further, current outdated regulatory caps are cutting off billions of dollars in investment by SBICs into small businesses across America.

   The Investing in All of America Act reforms the Small Business Investment Company program at SBA to encourage private capital in underserved areas and industries with the following benefits:

   - No new spending.
   - No new mandates.
   - No subsidies.
   - 100% of investment is in American small businesses.
   - Encourages investment in Low-income and Rural Areas.
   - Encourages investment in industries that are vital to national defense.
   - Inflation adjustment allows the program to keep up with inflation over time.
   - Market-led and market-driven.

2) **Pass H.R. 400 - Investing in Main Street Act** (passed by the House and awaiting Senate action)

   This bipartisan legislation (Reps. Chu and Garbarino) fixes a statutory drafting error where banks are currently allowed to invest more capital into SBICs (and therefore into American small

[3] Id. SBA estimates jobs created or sustained using "The 1999 Arizona Venture Capital Impact Study" (confirmed by the DRI-WEFA study of 2001) whereby one (1) job is created for every $36,000 of SBIC investment (adjusted for inflation).
[4] Id.

businesses), but where SBICs are not allowed to accept more money from banks. There is no cost to this legislation, and it is non-controversial.

3) **Raise the Annual SBIC Authorities**

The current programmatic caps of $5 Billion dollars are rapidly approaching their limits. These caps need to be raised to at least $6 Billion dollars, which the Senate's FY2024 FSGG appropriations legislation does. This does not increase federal spending or appropriations. It just allows SBICs to grow to fill the demand for small business capital. SBIC Debenture leverage has consistently run at a zero subsidy (or better) since Congress mandated zero subsidy in 1998.

The Small Business Investor Alliance would be welcome the chance to work with the Committee on Small Business and Entrepreneurship in its efforts to increase capital access for succession planning and generational transfers of America's small businesses.

Written Testimony of

LaTanya White, Ph.D., M.B.A.
Founder & Principal Researcher
Concept Creative Group, LLC

United States Senate
Committee on Small Business and Entrepreneurship

Hearing on Succession Planning

LaTanya White, Ph.D., M.B.A.
Founder & Principal Researcher
Concept Creative Group, LLC

Chair Shaheen, Ranking Member Ernst and Members of the Committee on Small Business and Entrepreneurship, it is indeed an honor and privilege to be of service to you by providing evidence-based insights from the award-winning doctoral research I have conducted on succession planning and wealth transfer for marginalized family businesses. I am Dr. LaTanya White, the founder and principal researcher for Concept Creative Group, LLC (CCG). CCG is a management training and development firm that leverages research and evidence to develop transformational outcomes in business, entrepreneurship, and leadership development ecosystems through innovative, mission-driven solutions.

I spent 11 years teaching entrepreneurship at a prominent Historically Black College/University in Florida—the Florida A&M University in Tallahassee, Florida. Over the course of my teaching appointment and my work as a Certified Business Analyst for the Small Business Development Center at FAMU, I encountered no fewer than 1,000 urban entrepreneurs through the teaching, training, coaching and consulting solutions that I developed and delivered.

In 2021, I left my position at the university to become a full-time entrepreneur, providing research, training, and strategic advisory services to entrepreneur support organizations building inclusive programming that aims to close America's racial wealth gap. That transition, coupled with my appointment to the Fulbright Specialist Roster in Business Administration and Education, has catapulted my reach and impact to well over 10,000 founders in the global majority. Thus, I am pleased to frame my contribution through my lens and expertise as a global educator, researcher, entrepreneur, and policy advisor.

I: The Economic Implications of Untapped Potential: Bridging the Gap in Succession Planning for Marginalized Entrepreneurs

At the same time that American wealth is concentrated into fewer and fewer hands, the country's global competitiveness is at stake as a vast pool of American-led discoveries, innovations, and entrepreneurial efforts remain untapped. The correlation between entrepreneurship and a country's gross domestic product is widely documented, and without mechanisms in place to spur entrepreneurial activity from all groups, America's bottom line is not performing as well as it could be. I would be doing a disservice to this committee if I did not provide insight into how we got here and what we can do to course correct to regain our global competitive position.

It would serve us well to explore the underlying causes of the entrepreneurship gap in America, the least of which is the absence of intergenerational wealth transfers and succession planning in marginalized business families. To start, entrepreneurial persistence is the tendency to remain in business over time. More than 20 years ago, it was found that higher levels of entrepreneurial persistence produce higher levels of wealth—and without regard to race or income. With there being a direct economic relationship between economic mobility and a country's GDP, it is imperative that public policy include provisions to enhance exposure to succession planning principles, especially more so for marginalized business families.

Marginalized business families face significant challenges in wealth and business ownership transfer across generations. In fact, research shows that among Black American, Mexican American, Korean American and white American businesses, the two former groups had the highest levels of legacy motivation, or the intent to pass down a business[1]. Economic data further shows that, despite their intent to pass down their family businesses, these marginalized groups have the lowest rates of succession planning and economic mobility. Business owners who identified as first-generation founders often describe their experience of building a business as "starting from scratch." Unfortunately, in marginalized families, generation after generation of entrepreneurs will continue to start from scratch if their lack of exposure to succession planning strategies remains at the levels that they are now.

II: Transformative Education and Support: Shifting the Focus to Entrepreneurial Mindset Development

Business owners who identified as first-generation founders often describe their experience of building a business as "starting from scratch." Unfortunately, in marginalized families, generation after generation of entrepreneurs will continue to start from scratch if their lack of exposure to succession planning strategies remains at the levels that they are now.

In the time that I spent teaching, I demonstrably mastered the delivery of technical assistance to startup and growth-stage founders. However, it was not until I traveled to Bali, Indonesia to participate in a social entrepreneurship accelerator program did I realized that there was a flaw in my teaching approach. As an entrepreneurship educator and technical assistance provider, I had been so focused on the entrepreneurial outcomes—the number of businesses starting or the number of jobs created—that I set aside the entrepreneurs themselves, the person with a deeply impactful lived experience that sat before me ready to launch, grow, or scale their business.

After returning to the States, I found a way to squeeze mindset development into my interactions with campus- and community-based founders from the margins. This was imperative because the likelihood that a founder from a marginalized community would take a major risk often will not

[1] Lee, Y. G., Bartkus, K. R., & Lee, M. (2015). The diversity of legacy motivation: Succession planning of African-American, Mexican-American, and Korean-American business owners. *American Journal of Entrepreneurship, 8*(1), 71–93.

match the likelihood of risk-taking that their majority counterparts have. I vividly recall a conversation with a student who was majoring in Allied Health Sciences but was required to take a Principles of Management course.

I asked the student if they had ever considered starting a physical therapy rehabilitation center as opposed to working at one. The student, a first-generation college student from a marginalized community, laughed and responded, "I can't own a business, I'm not a business student." I often reflect back on that conversation as a reminder to do all that I can to expose more people from marginalized communities to the different ways that entrepreneurship and small business ownership can look for them and for future generations with succession planning.

III: A Generative Approach to Competitive Advantage

I have since come to recognize and appreciate that the entrepreneurial journey for business owners from marginalized communities, who are often first-generation founders, can often be starkly different from that of their majority counterparts. The origins of this begin with an approach to entrepreneurship that is more concerned with providing better economic opportunities for future generations than concern for any profitability that may be experienced by the founder.

This is generativity-based entrepreneurship, a cornerstone that emerged from my study of the lived experience of first-generation Black entrepreneurs. Generativity is practiced through leading, nurturing, promoting, and teaching the next generation to create things to move down the generational chain and connect to a future[2].

Moreover, generative work offers a measurable benefit to society—not just a select few members of society but **all** members of society. Educators practice generativity. Technical assistance providers practice generativity. The work of estate planning professionals is generative. Succession planning is generative work. This Senate Committee, each one of you, is a practitioner of generativity.

IV: A Theory of Change for Succession Planning Education

The Government's role in fostering inclusion is to make succession planning accessible.
I call on government-funded resources to make family business succession planning more accessible to marginalized founders. Allow me to share my familiarity with the limitations of current entrepreneurship education and technical assistance.

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[2] Kotre, J. (1996). Outliving the self: How we live on in future generations. W. W. Norton & Co.

Over the past decade, I have provided technical assistance to business owners and entrepreneurs through programs funded by the *National Science Foundation* as an I-Corps Mentor, the *Small Business Administration* as a Certified Business Analyst for the Small Business Development Center, the *Minority Business Development Agency* as the National Director of Entrepreneurship Programs for the Alabama MBDA Business Center, and the *U.S. Department of State* as a Fulbright Specialist.

At no point over the past decade in either of those roles has it been an imperative or an evaluation metric to discuss or refer succession planning resources to the business owners and founders who participated in those programs. I offer this to ensure that you have the full and proper context of the constraints of entrepreneurship educators and technical assistance providers.

Thus, to fully embody the function of government as generative, then it is imperative that family business succession planning becomes much more accessible to marginalized founders through government-funded resources. In many cases, especially for the majority of business owners who are solo founders and do not have the working capital to have more than five people on the payroll, these family members are not recognized by technical assistance providers, entrepreneurship educators, and accelerator program managers.

Indeed, a theory of change on success planning for marginalized families a global competitive positioning opportunity can be systemically designed

- If we can acknowledge that America's global competitiveness is a bi-partisan, bi-cameral issue, *and*
- If we can accept that succession planning is a generative effort that benefits the whole of society, *and*
- If we can agree that the work that this Senate Committee is doing is a generative act, *then*
- It could be said that in a system's view of establishing America's competitive position, succession planning and wealth transfer strategies that create space for the most marginalized voice are global imperatives.

My colleagues in traditional technical assistance roles simply do not have the bandwidth, capacity, or capability with their current resources to mind these gaps on the continuum of the entrepreneurial journey—from mindset development to wealth transfer strategies.

Highlighting the limitations of current entrepreneurship education and technical assistance, I suggest partnerships with specialized organizations as a pathway to delivering targeted support. Resource partners such as the Black Innovation Alliance, The BOW Collective, the Association for Black Estate Planning Professionals, the Money Health Collective, and Runwei™ are better positioned to deliver specialized education and training to marginalized communities.

V: Conclusion

Thank you for the opportunity to contribute to this very important topic. America's global competitiveness must be rooted in an inclusive approach to entrepreneur development and succession planning. By recognizing the generative potential of government policy in supporting marginalized entrepreneurs, we can ensure a more equitable and prosperous future for all citizens.

I hope that my testimony serves as a call to action for policymakers, educators, and entrepreneurship support organizations to prioritize succession planning as a key strategy for economic inclusion and global competitiveness. Appendix A provides a more comprehensive review of the data and analysis that informs this testimony. My research provides a wholistic view on wealth transfer in marginalized business families[3] and offers a valuable framework for understanding the lived experiences of marginalized entrepreneurs and the transformative impact of generative entrepreneurship on society.

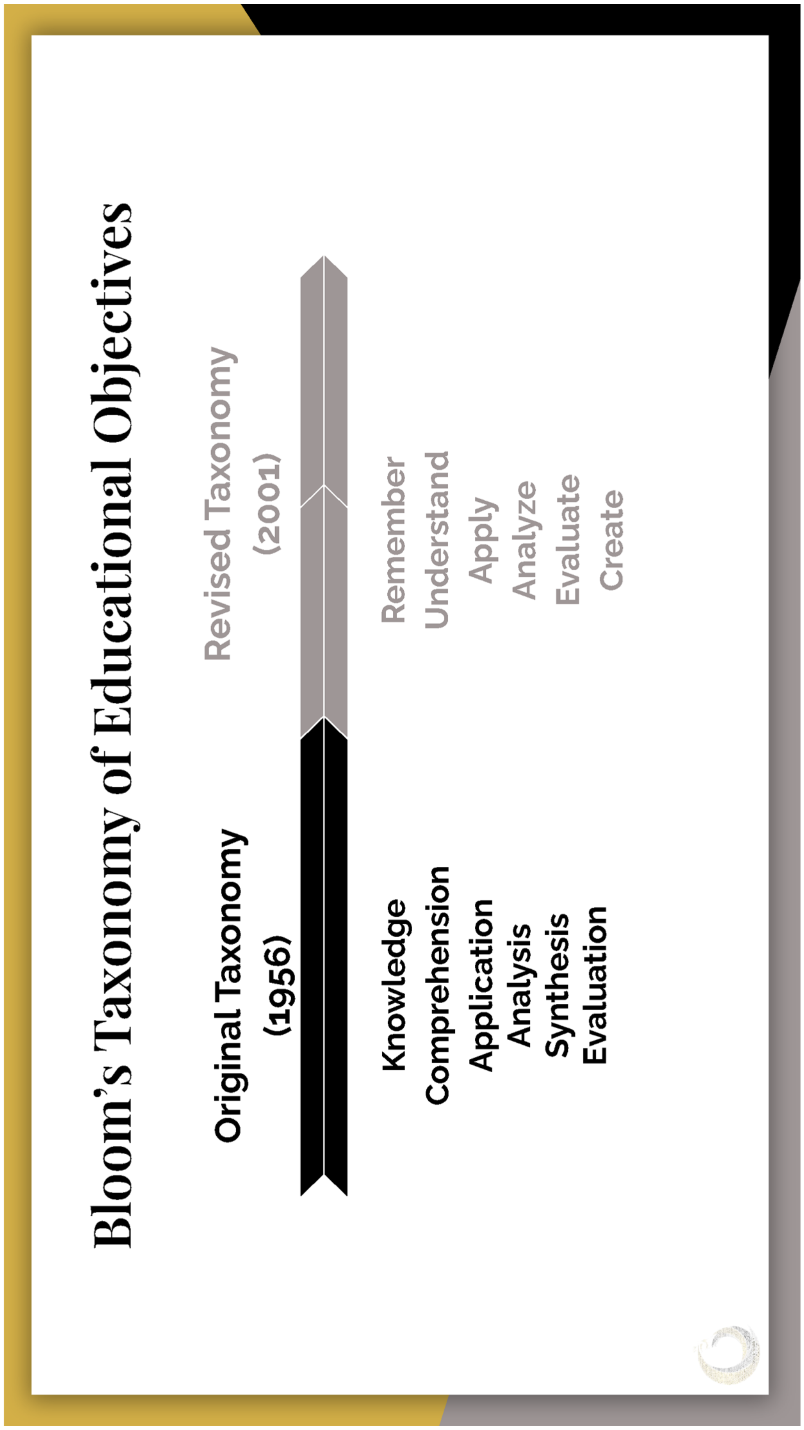
3 https://meetdrwhite.com/research


Dynastic Wealth™:
A Deep Dive Into Research, History, and Policy on America's Racial Wealth Gap
Dr. LaTanya White,
Principal Researcher & Founder
Concept Creative Group


Meet Dr. LaTanya White
Award-Winning Entrepreneurship Educator
Fulbright Specialist in Business Administration and Education
Racial Equity in Entrepreneurship Expert
TEDx Speaker
Mom to Sparrow
Dynastic Wealth™ Strategist
Dr. White's 2023 Media Features

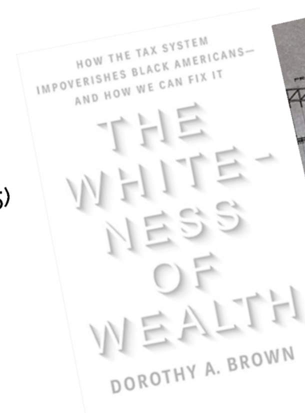
In The End, A Rising Tide Lifts All Boats

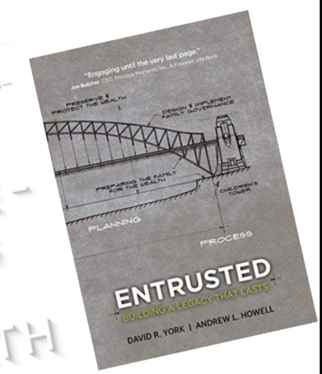
- Where We Are: Billionaire Bonanza & the Racial Wealth Gap
- How We Got Here: An Eye on History
- What Lies Ahead: A Rising Tide Lifts All Boats


Bloom's Taxonomy of Educational Objectives
Original Taxonomy (1956)
Knowledge
Comprehension
Application
Analysis
Synthesis
Evaluation
Revised Taxonomy (2001)
Remember
Understand
Apply
Analyze
Evaluate
Create

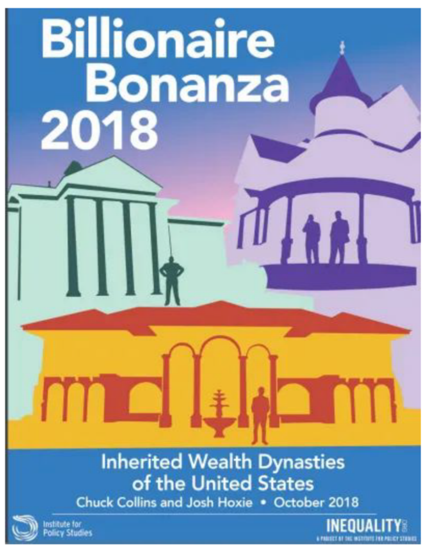
Situational Context

- Global Concepts of Economic Development
    - Income vs. Wealth (Quadrini, 1999)
    - Employment vs. Entrepreneurship
    - American Tax Policies (Brown, 2021)
    - Transfers of Wealth (York & Howell, 2015)
    - Our Relationship with Money



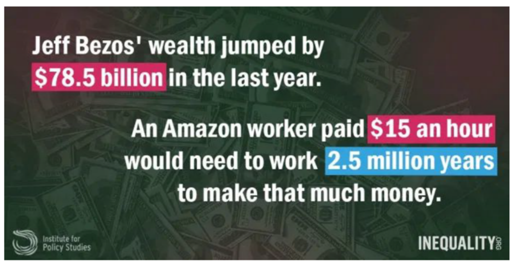


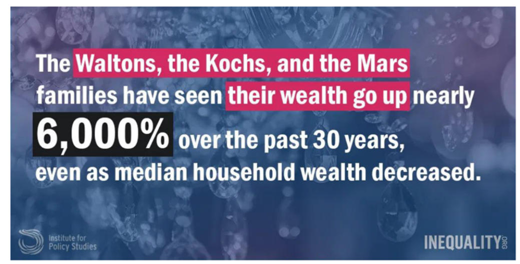
The Report That Started It All



[*Billionaire Bonanza 2018: Inherited Wealth Dynasties in the 21st Century United States*]
October 30, 2018
Chuck Collins, Josh Hoxie

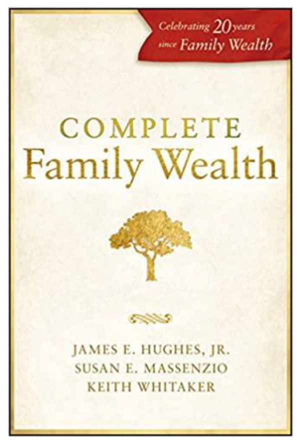
Infographics on Wealth, Entrepreneurship, and Dynasties from IPS.org

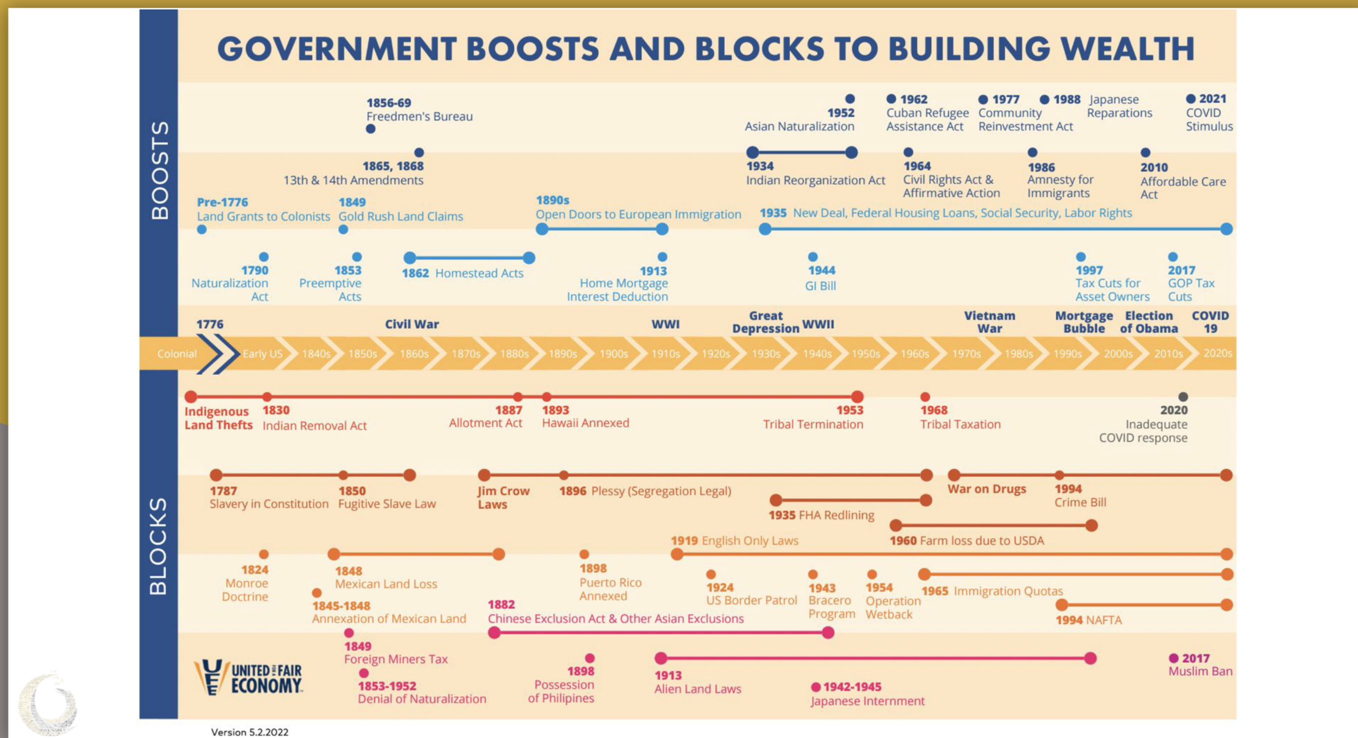


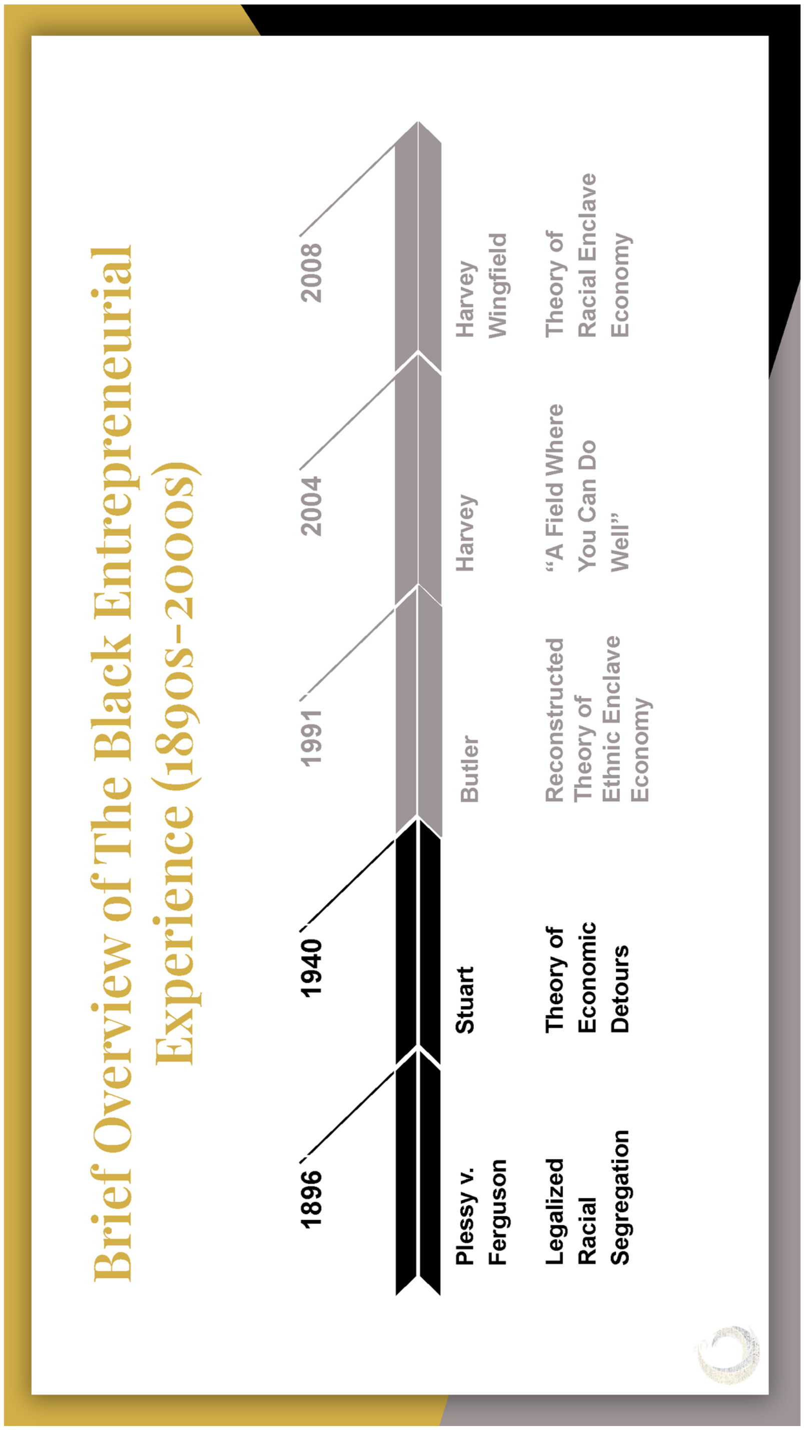


From the Global Concepts of Economic Development, Let's Move to…

- Complete Family Wealth




GOVERNMENT BOOSTS AND BLOCKS TO BUILDING WEALTH
BOOSTS
1856-69 Freedmen's Bureau
1865, 1868 13th & 14th Amendments
Pre-1776 Land Grants to Colonists
1849 Gold Rush Land Claims
1790 Naturalization Act
1853 Preemptive Acts
1862 Homestead Acts
1890s Open Doors to European Immigration
1913 Home Mortgage Interest Deduction
1952 Asian Naturalization
1934 Indian Reorganization Act
1935 New Deal, Federal Housing Loans, Social Security, Labor Rights
1944 GI Bill
1962 Cuban Refugee Assistance Act
1964 Civil Rights Act & Affirmative Action
1977 Community Reinvestment Act
1986 Amnesty for Immigrants
1988 Japanese Reparations
1997 Tax Cuts for Asset Owners
2010 Affordable Care Act
2017 GOP Tax Cuts
2021 COVID Stimulus
1776
Civil War
WWI
Great Depression
WWII
Vietnam War
Mortgage Bubble
Election of Obama
COVID 19
Colonial
Early US
1840s
1850s
1860s
1870s
1880s
1890s
1900s
1910s
1920s
1930s
1940s
1950s
1960s
1970s
1980s
1990s
2000s
2010s
2020s
BLOCKS
Indigenous Land Thefts
1830 Indian Removal Act
1887 Allotment Act
1893 Hawaii Annexed
1953 Tribal Termination
1968 Tribal Taxation
2020 Inadequate COVID response
1787 Slavery in Constitution
1850 Fugitive Slave Law
Jim Crow Laws
1896 Plessy (Segregation Legal)
1935 FHA Redlining
War on Drugs
1994 Crime Bill
1960 Farm loss due to USDA
1919 English Only Laws
1824 Monroe Doctrine
1848 Mexican Land Loss
1845-1848 Annexation of Mexican Land
1898 Puerto Rico Annexed
1924 US Border Patrol
1943 Bracero Program
1954 Operation Wetback
1965 Immigration Quotas
1994 NAFTA
1882 Chinese Exclusion Act & Other Asian Exclusions
1849 Foreign Miners Tax
1853-1952 Denial of Naturalization
1898 Possession of Philipines
1913 Alien Land Laws
1942-1945 Japanese Internment
2017 Muslim Ban
UNITED FOR A FAIR ECONOMY
Version 5.2.2022


Brief Overview of The Black Entrepreneurial Experience (1890s–2000s)
1896
Plessy v. Ferguson
Legalized Racial Segregation
1940
Stuart
Theory of Economic Detours
1991
Butler
Reconstructed Theory of Ethnic Enclave Economy
2004
Harvey
“A Field Where You Can Do Well”
2008
Harvey Wingfield
Theory of Racial Enclave Economy


DeGruy's Post Traumatic Slave Syndrome
"A person's judgement of their own worth can be placed on a scale of unhealthy to healthy" (p. 110)
"Any group of people living under such harsh conditions would eventually learn the ways of their captors" (p. 117)
"One reason for [the] brutality was that they did not want to be perceived as being lenient and so lose their position" (p. 121)
DR. JOY DEGRUY
BE THE HEALING
POST TRAUMATIC SLAVE SYNDROME
America's Legacy Of Enduring Injury and Healing
by
Joy DeGruy, Ph.D.
Foreword by Randall Robinson

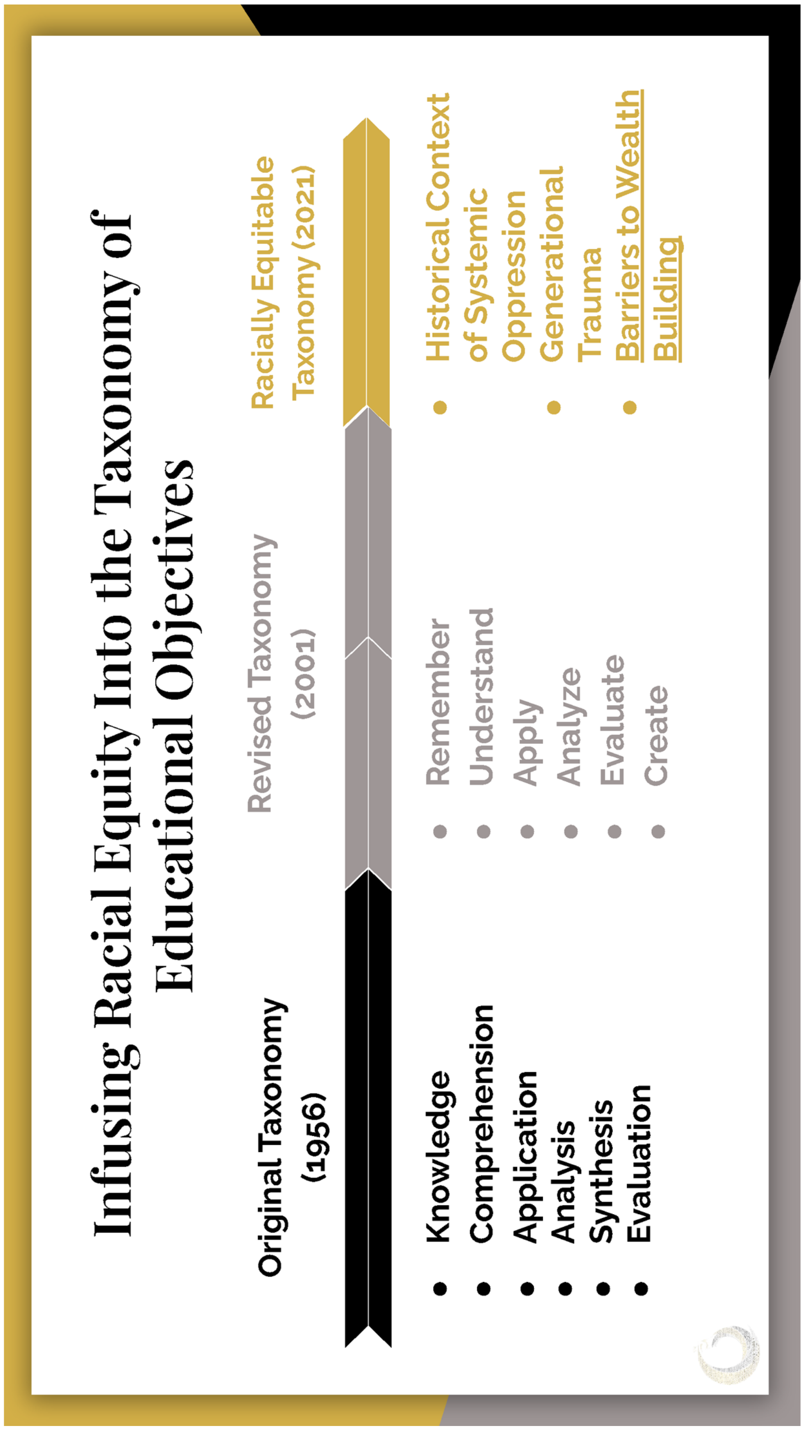
Barriers to Black Wealth

- G.I. Bill
- Redlining
- Heirs' Property

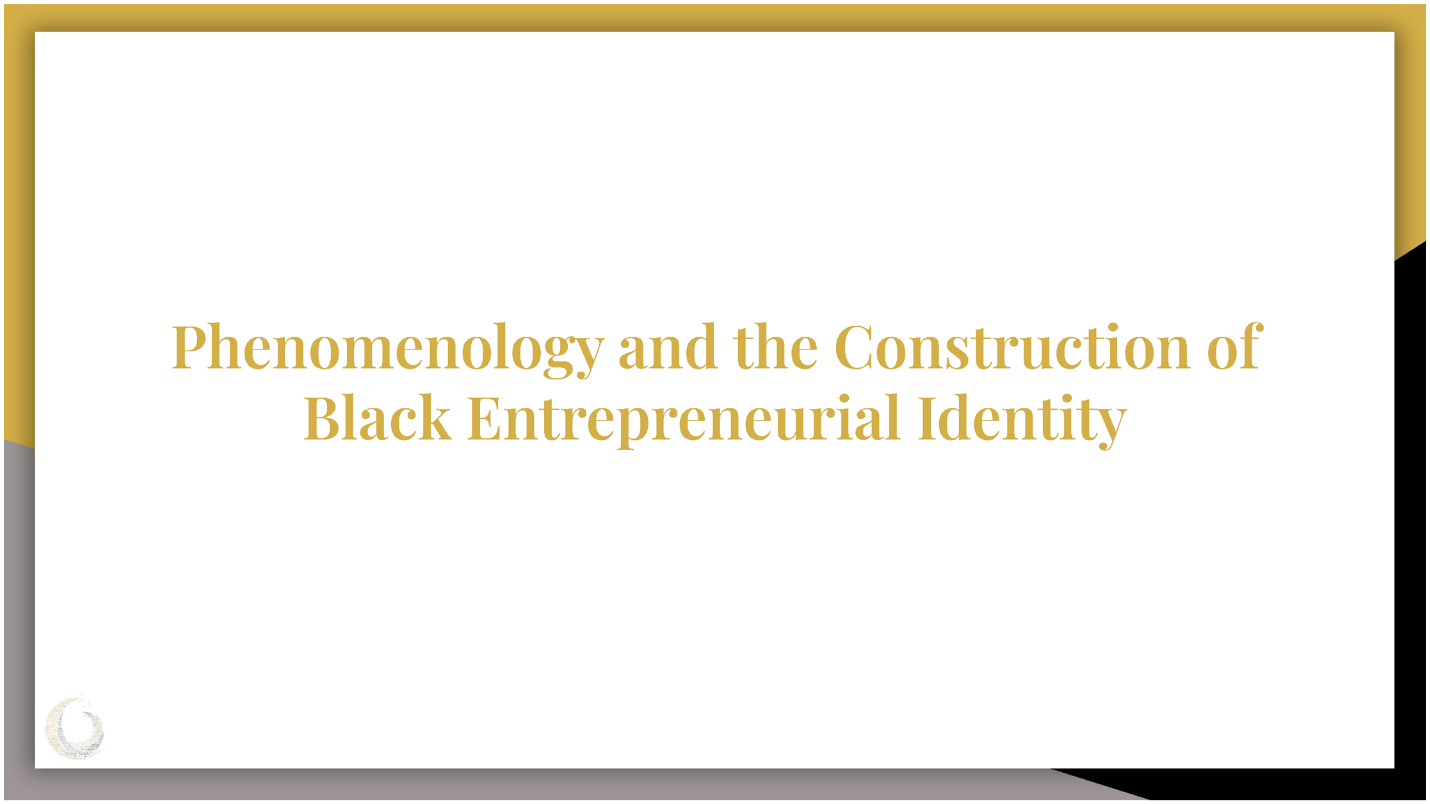
This estimate was published in 2016. Just two years later, this figure was estimated at 242 years. Chattel slavery existed for 246 years.

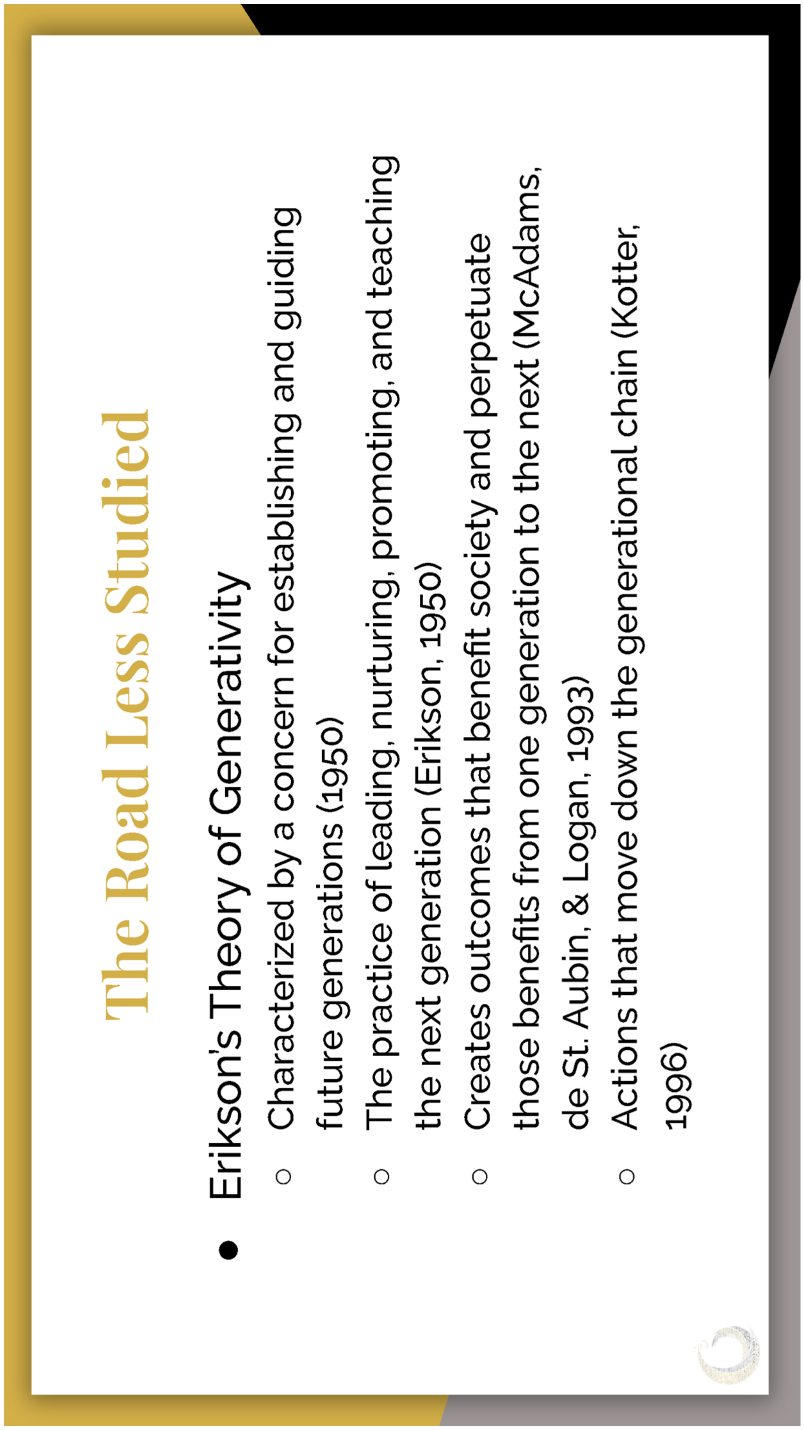
Harvey Wingfield's Racial Enclave Economy Theory (2008)

Group	Racial Enclave Economy
African American Women	Hair Salons
African American Men	Barbering, Music
Asian American Women	Nail Salons
Asian American Men	Convenience Stores
Latinx Women	Hair and Beauty Services
Latinx Men	Food Service


Infusing Racial Equity Into the Taxonomy of Educational Objectives
Original Taxonomy (1956)
Revised Taxonomy (2001)
Racially Equitable Taxonomy (2021)
Knowledge
Comprehension
Application
Analysis
Synthesis
Evaluation
Remember
Understand
Apply
Analyze
Evaluate
Create
Historical Context of Systemic Oppression
Generational Trauma
Barriers to Wealth Building

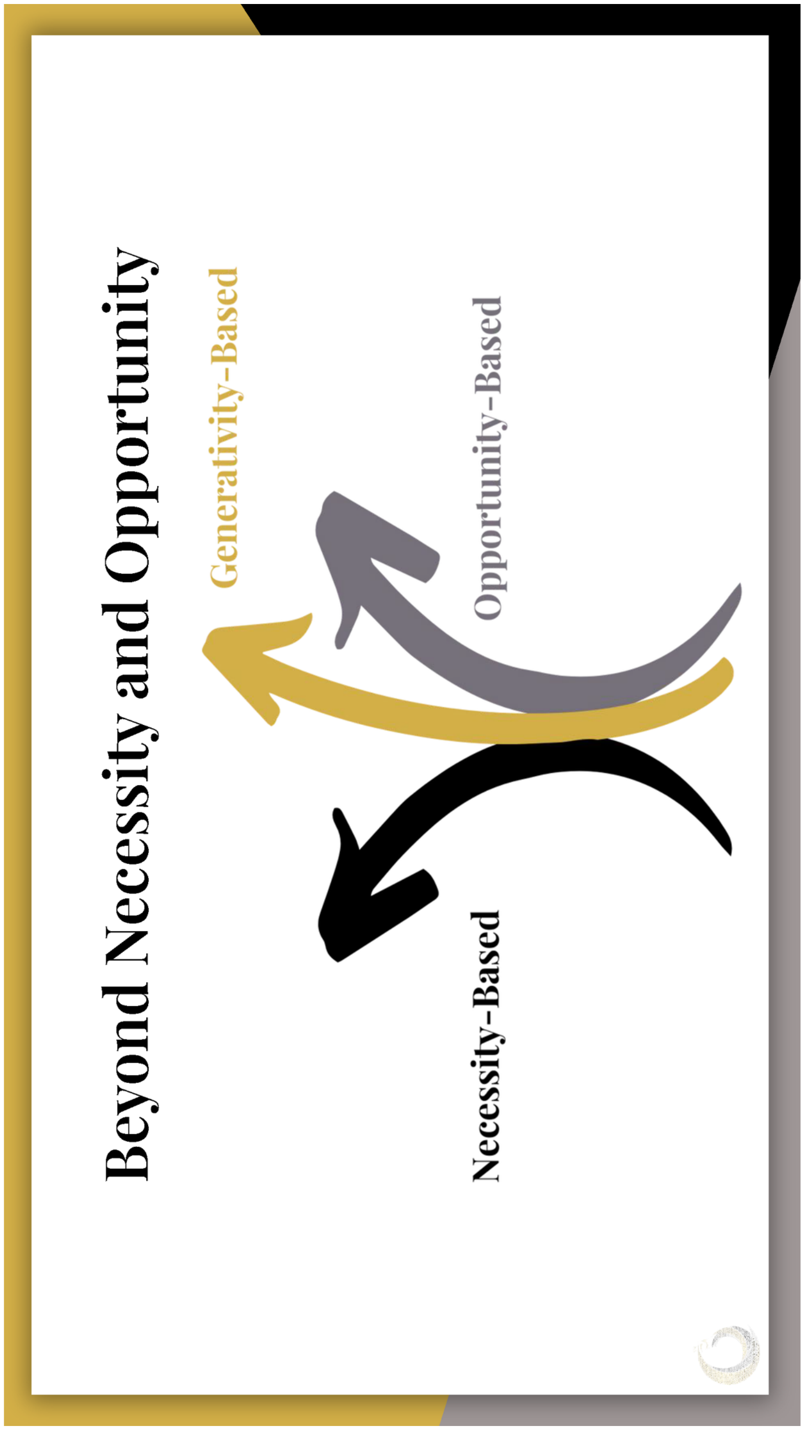

The Pursuit of Entrepreneurship
Opportunity-Based
Necessity-Based

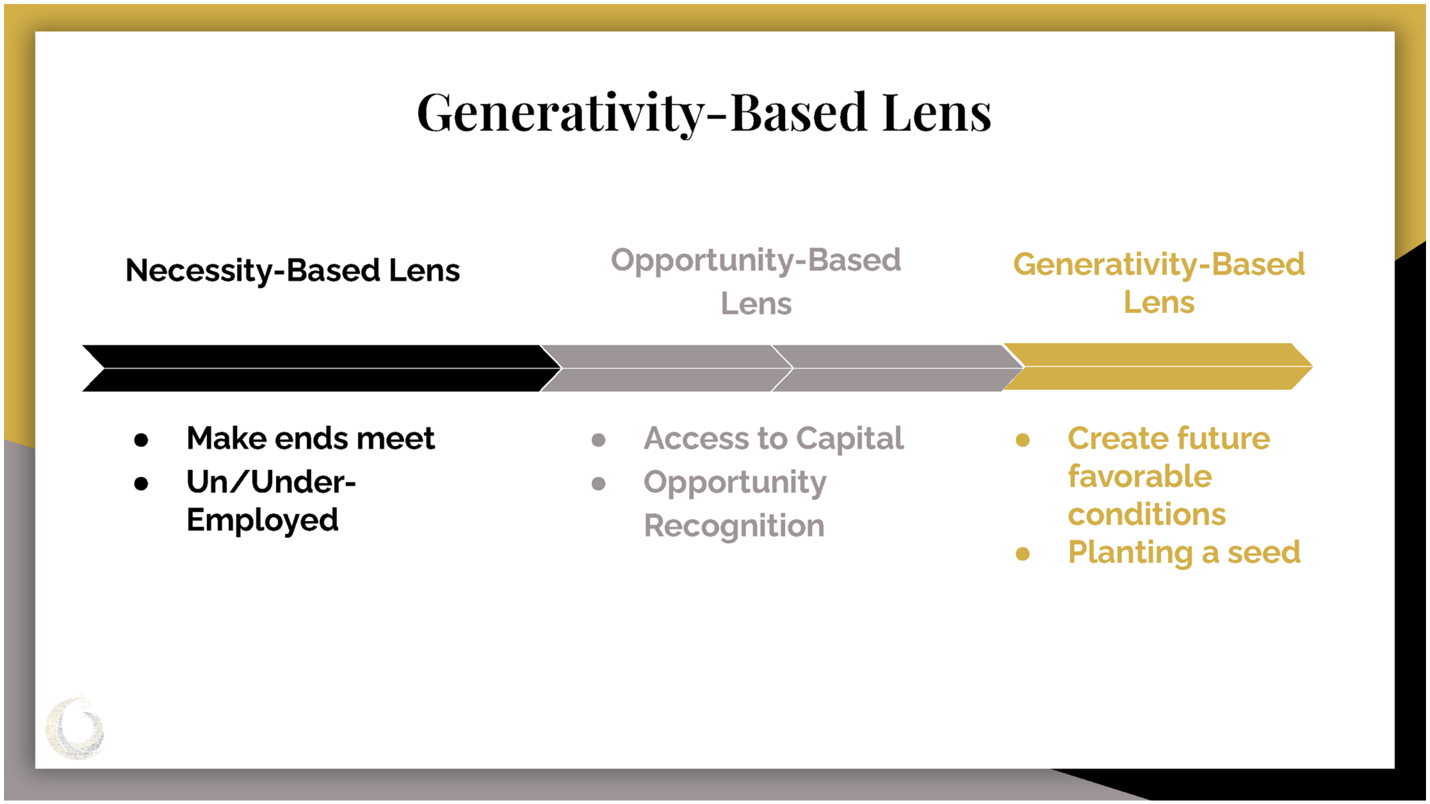

Phenomenology and the Construction of
Black Entrepreneurial Identity


The Road Less Studied
Erikson's Theory of Generativity
Characterized by a concern for establishing and guiding future generations (1950)
The practice of leading, nurturing, promoting, and teaching the next generation (Erikson, 1950)
Creates outcomes that benefit society and perpetuate those benefits from one generation to the next (McAdams, de St. Aubin, & Logan, 1993)
Actions that move down the generational chain (Kotter, 1996)

A Spin-Off Conversation

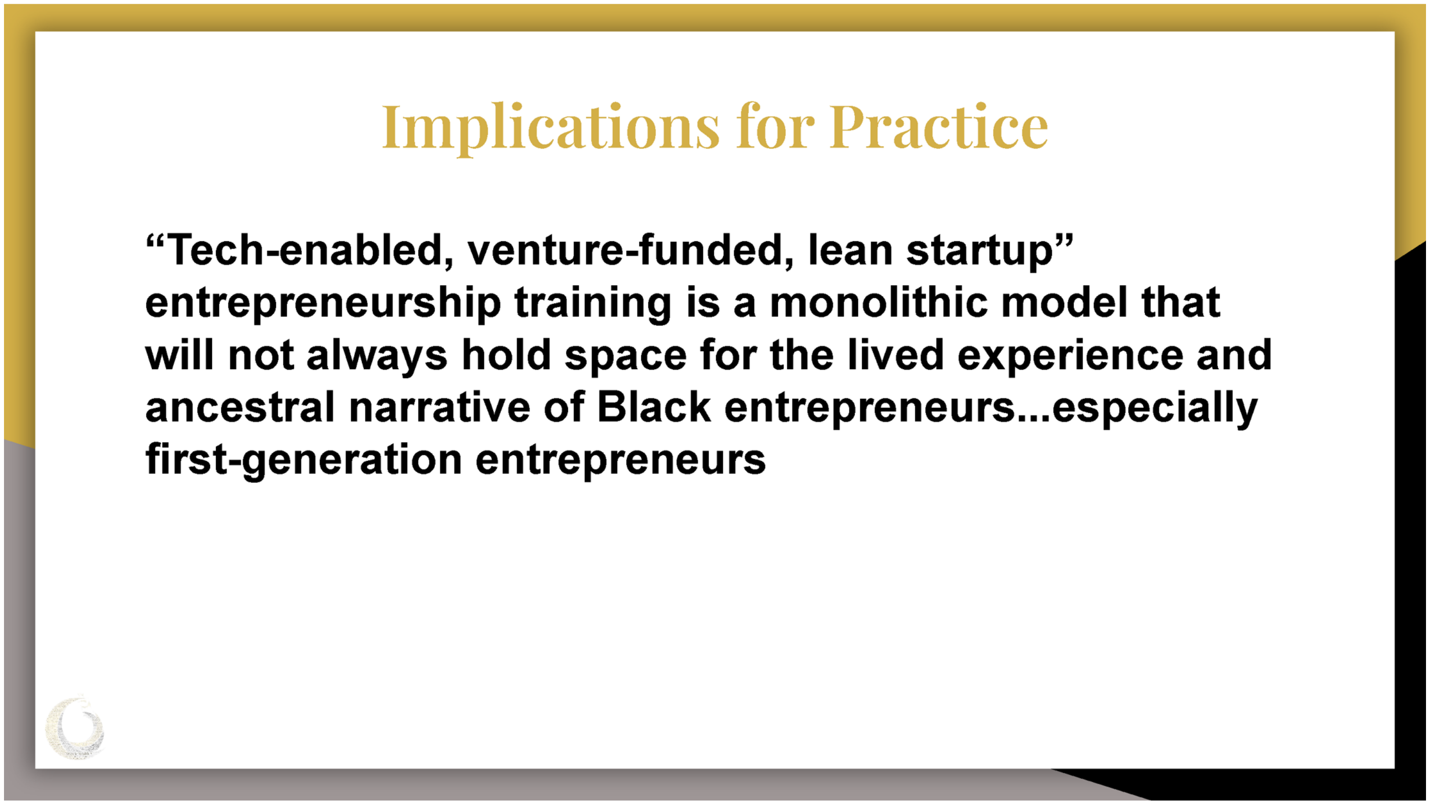
- Theory of Entrepreneurial Generativity
  - The desire to create some future benefit from entrepreneurial activity that will move down the generational chain as a measure of dynastic intent (White, 2021)
- Generativity-Based Entrepreneurship
  - The pursuit of entrepreneurship as a means to create more favorable conditions for future generations (White, 2022)

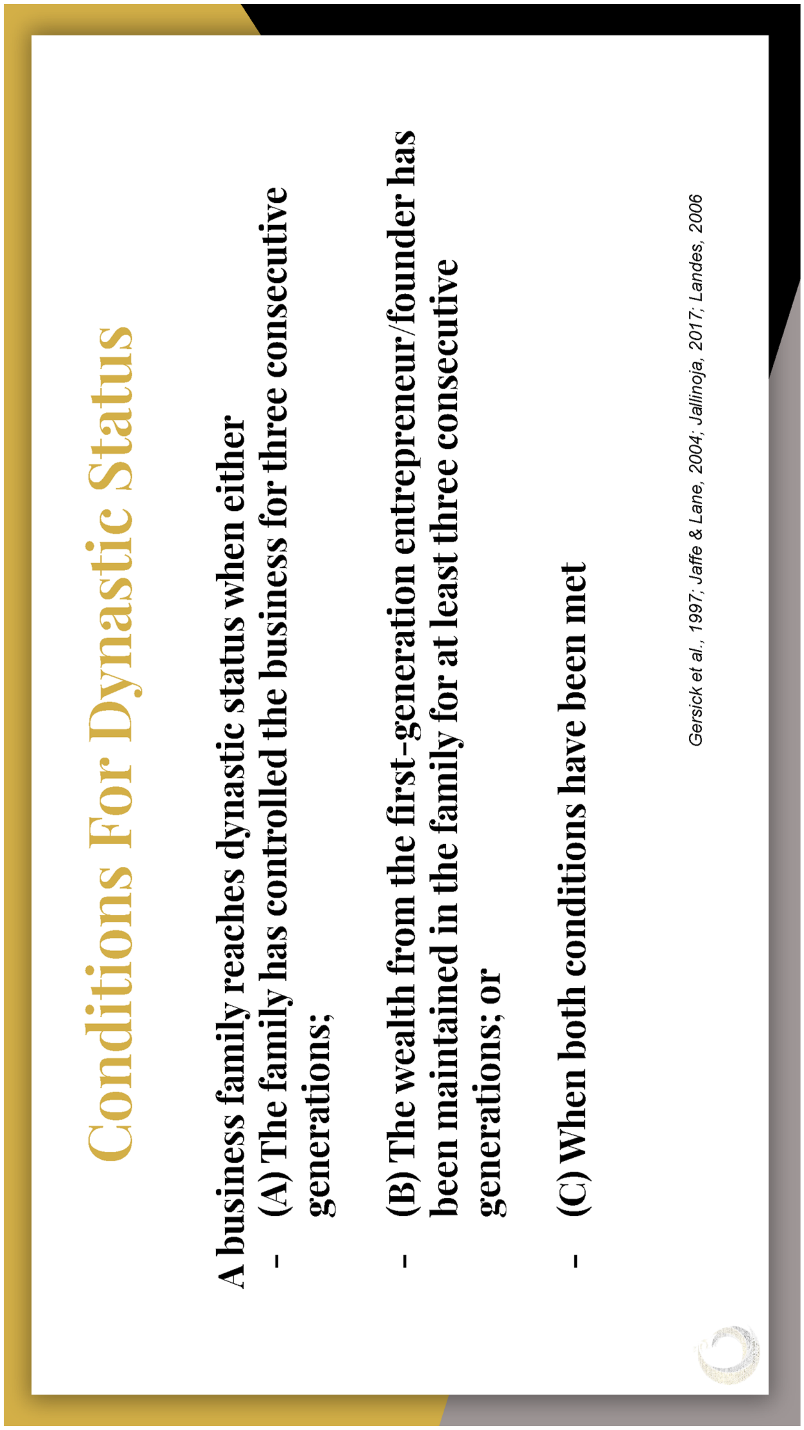

Beyond Necessity and Opportunity
Generativity-Based
Opportunity-Based
Necessity-Based


Generativity-Based Lens
Necessity-Based Lens
Opportunity-Based Lens
Generativity-Based Lens
Make ends meet
Un/Under-Employed
Access to Capital
Opportunity Recognition
Create future favorable conditions
Planting a seed

Legacy Motivation

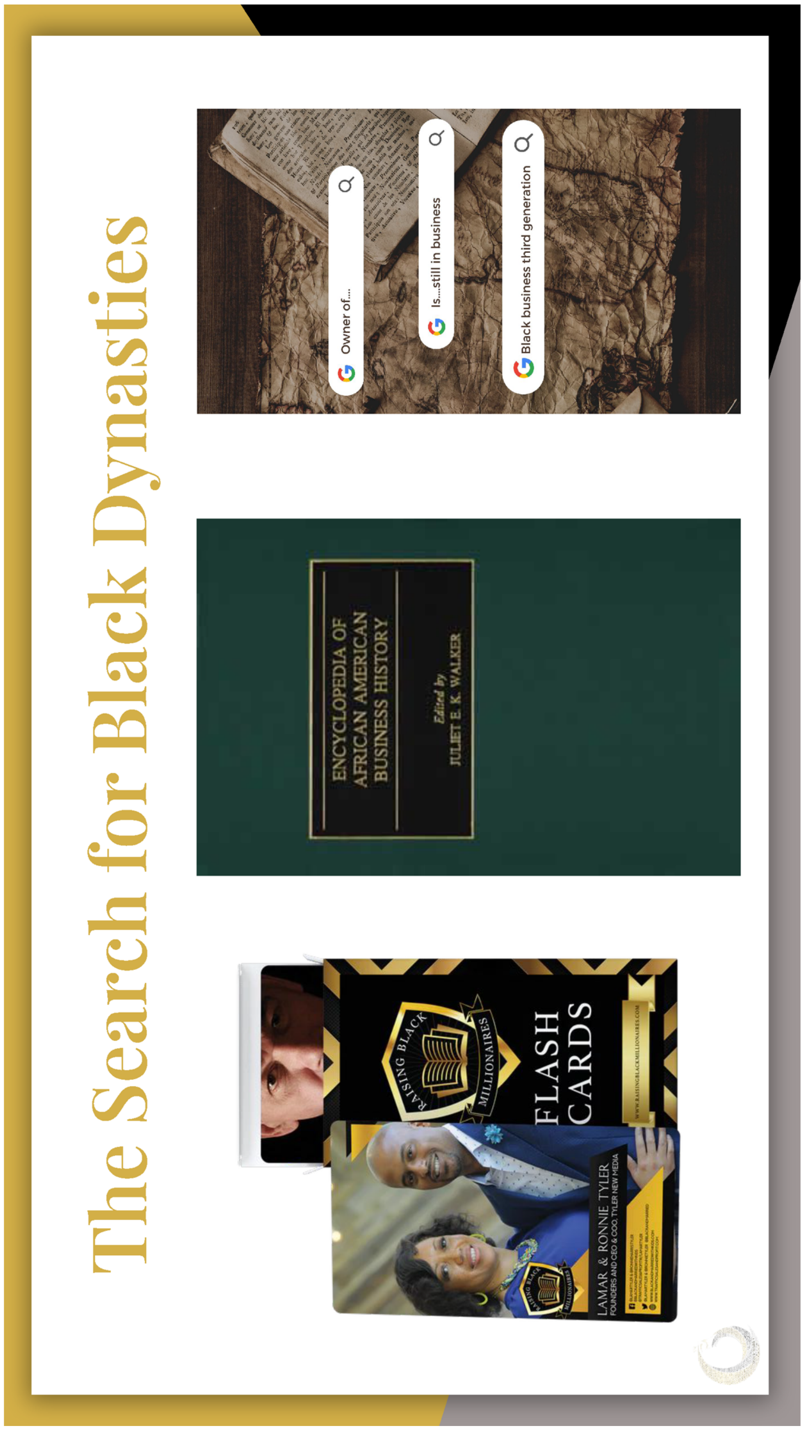
Among **Korean Americans, Mexican Americans, and African Americans**, the latter purported to have the highest level of legacy motivation—that is, the intent to pass down their family business. (Lee et. al., 2015)

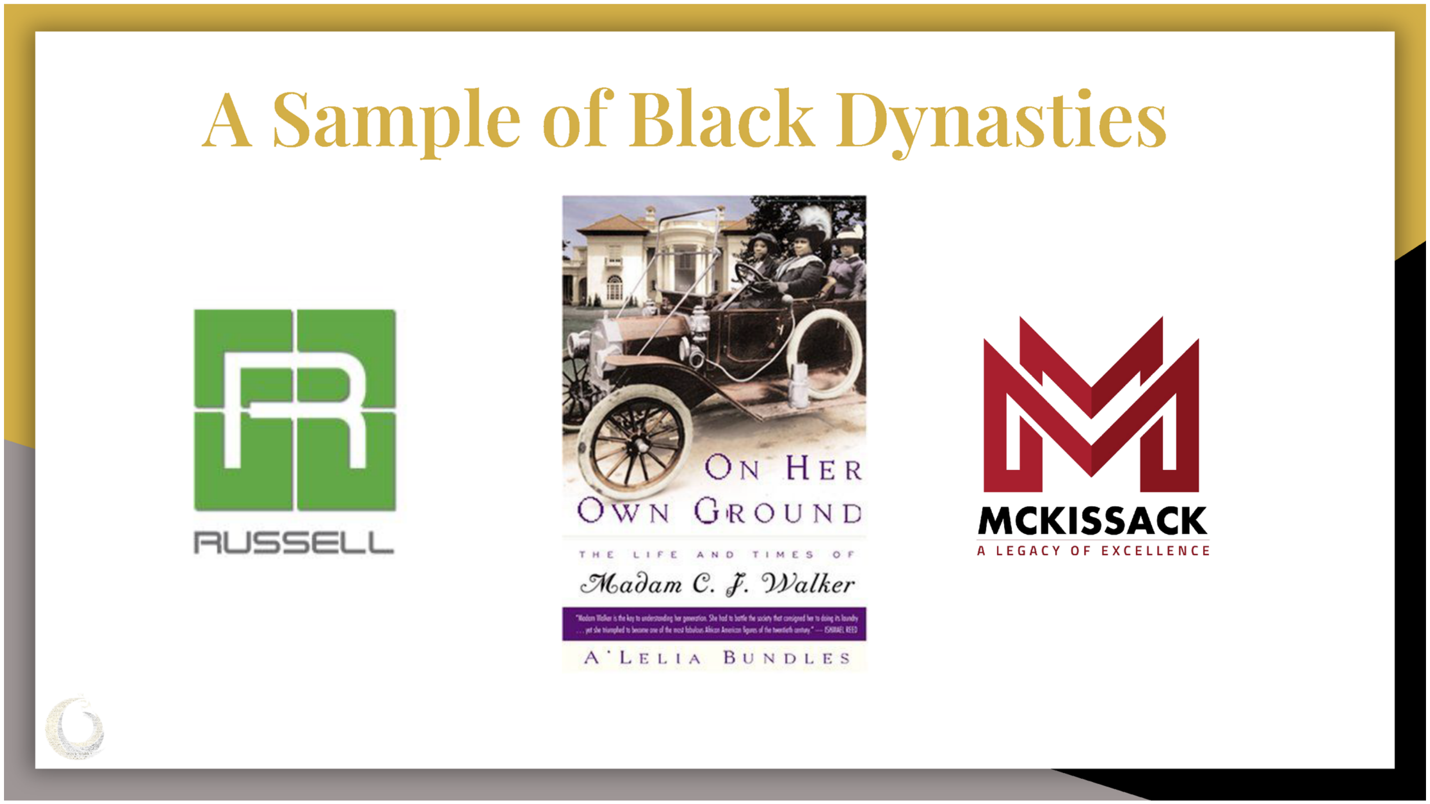

Implications for Practice
“Tech-enabled, venture-funded, lean startup” entrepreneurship training is a monolithic model that will not always hold space for the lived experience and ancestral narrative of Black entrepreneurs...especially first-generation entrepreneurs


Conditions For Dynastic Status
A business family reaches dynastic status when either
– (A) The family has controlled the business for three consecutive generations;
– (B) The wealth from the first-generation entrepreneur/founder has been maintained in the family for at least three consecutive generations; or
– (C) When both conditions have been met
Gersick et al., 1997; Jaffe & Lane, 2004; Jallinoja, 2017; Landes, 2006

Dynastic families are not concerned with building generational wealth. They are focused on building dynasties.

Entrepreneurial Dynasty: A family that has maintained control of either the wealth generated from the business or the business itself for three consecutive generations.


The Search for Black Dynasties
Owner of....
Is....still in business
Black business third generation
ENCYCLOPEDIA OF AFRICAN AMERICAN BUSINESS HISTORY
Edited by JULIET E. K. WALKER
RAISING BLACK MILLIONAIRES
FLASH CARDS
LAMAR & RONNIE TYLER
FOUNDERS AND CEO & COO, TYLER NEW MEDIA


A Sample of Black Dynasties
RUSSELL
ON HER OWN GROUND
THE LIFE AND TIMES OF
Madam C. J. Walker
A'LELIA BUNDLES
MCKISSACK
A LEGACY OF EXCELLENCE

Building Black Dynasties™ through Procurement and Government Contracting

NATIONWIDE BLACK BUSINESS MONTH

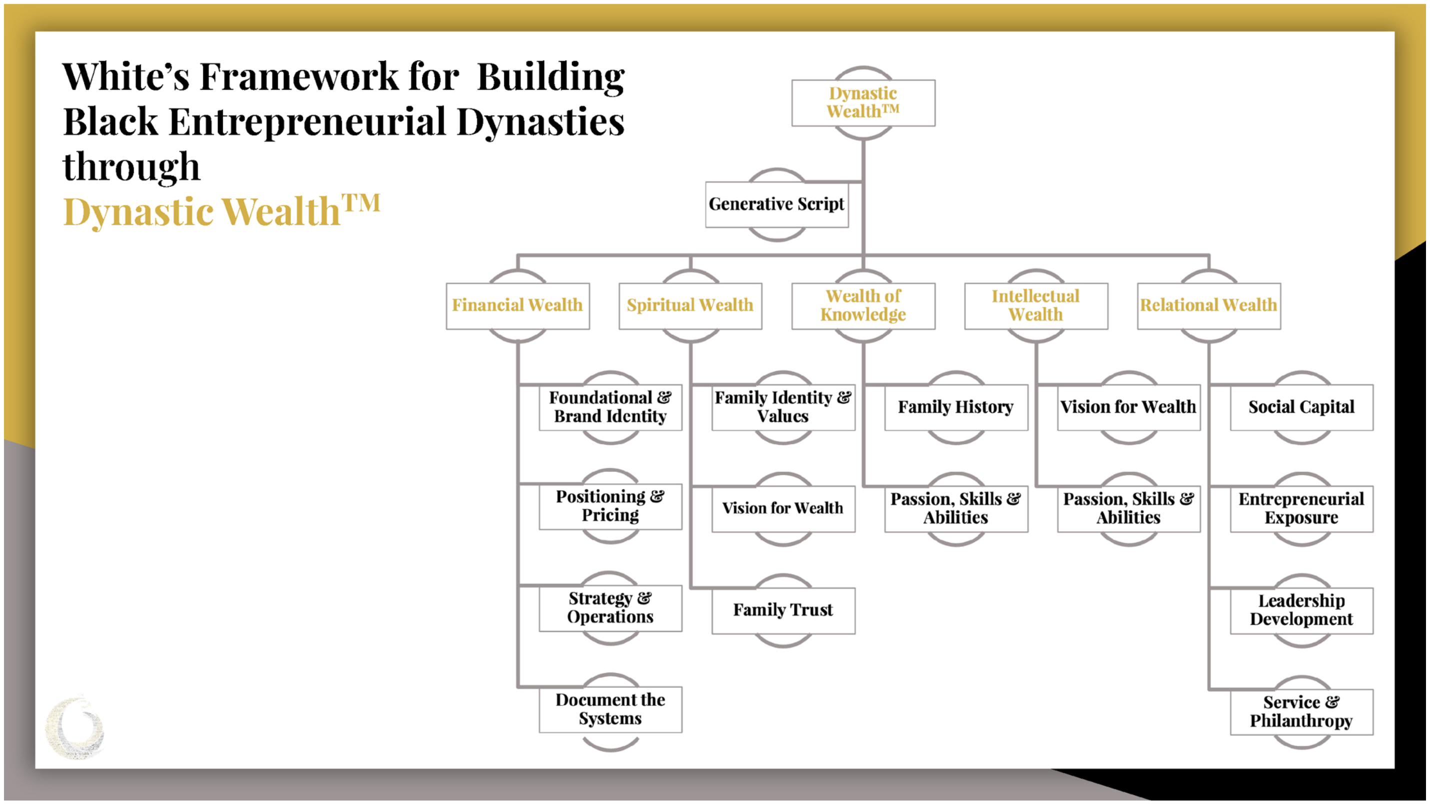
CEO CLOSES $28 MILLION GOVERNMENT CONTRACT — 'IT'S THE WAY TO GO' FOR BLACK ENTREPRENEURS

Anne-Lyse Wealth August 24, 2022 17050

(Image: Courtesy of M Fields Photography)

8 out of 10 Black-owned businesses fail within the first 18 months.


Building Black Dynasties™
through Procurement and
Government Contracting
NATIONAL ARCHIVES
FEDERAL REGISTER
The Daily Journal of the United States Government
Presidential Document
Advancing Racial Equity and Support for Underserved Communities Through the Federal Government
A Presidential Document by the Executive Office of the President on 01/25/2021
PUBLISHED DOCUMENT
Start Printed Page 7009
Executive Order 13985 of January 20, 2021
Advancing Racial Equity and Support for Underserved Communities Through the Federal
DOCUMENT DETAILS
Printed version:
PDF
Publication Date:
01/25/2021
Agency:


White's Framework for Building Black Entrepreneurial Dynasties through
Dynastic Wealth™
Dynastic Wealth™
Generative Script
Financial Wealth
Spiritual Wealth
Wealth of Knowledge
Intellectual Wealth
Relational Wealth
Foundational & Brand Identity
Positioning & Pricing
Strategy & Operations
Document the Systems
Family Identity & Values
Vision for Wealth
Family Trust
Family History
Passion, Skills & Abilities
Vision for Wealth
Passion, Skills & Abilities
Social Capital
Entrepreneurial Exposure
Leadership Development
Service & Philanthropy

Financial Wealth Defined

The business and financial assets that are the foundation of the dynasty. **Establishing Financial Wealth** calls for:

- Foundational & Brand Identity
- Positioning, Pricing, & Profitability
- Strategy & Operations
- Documentation of Systems and Succession Planning

Spiritual Wealth Defined

The idea that there is a greater purpose to be served than merely financial gain. **Envisioning Spiritual Wealth** requires:

- Family Identity
- Family Values
- Vision for Wealth
- Family Estate Plan

Wealth of Knowledge Defined

The rich wisdom and insight from life experience.
Recording the Wealth of Knowledge brings forth:

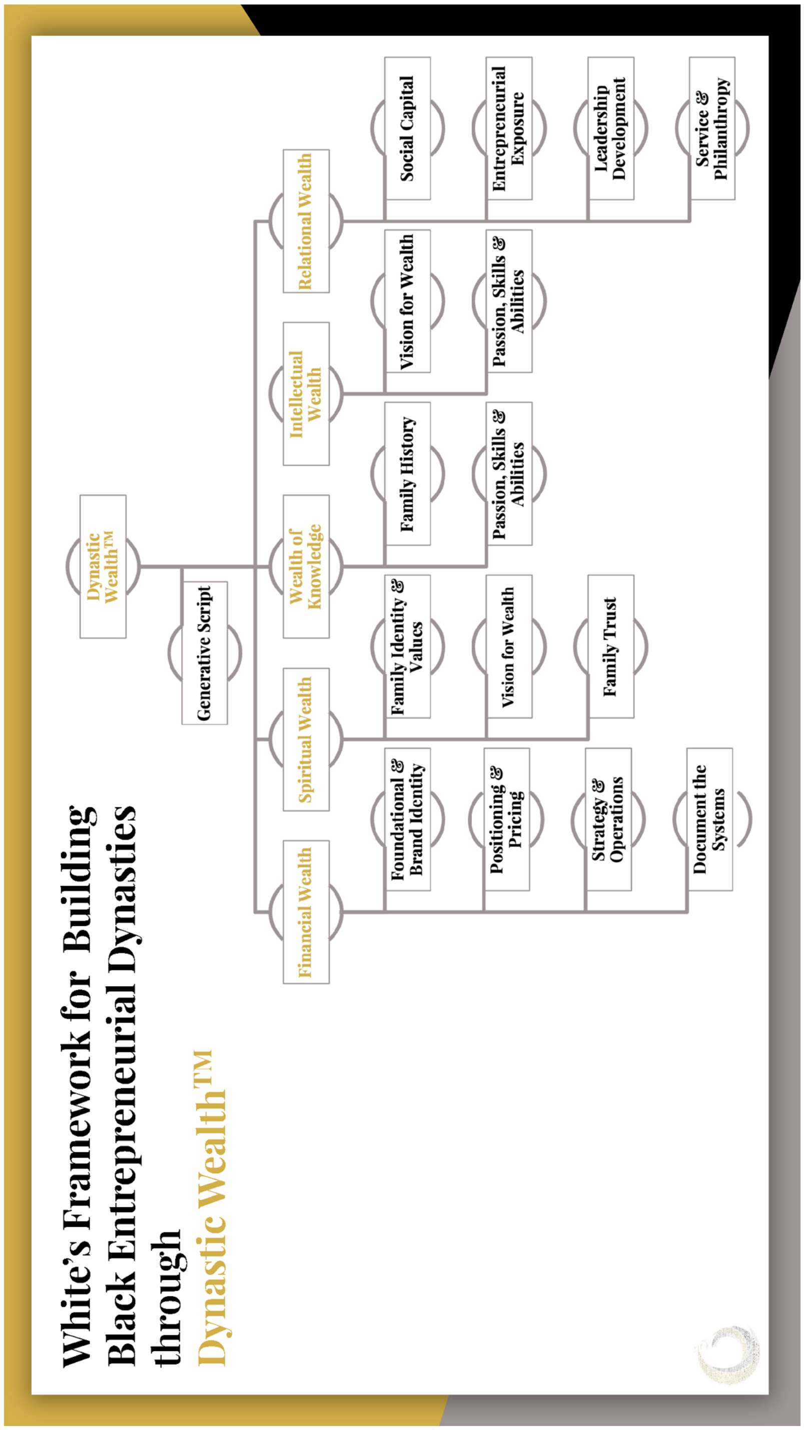
- Family History
- Lived Experience
- Passions, Skills, and Abilities of Family Members

Intellectual Wealth Defined

The concerted effort to aid others in developing themselves. **Investing in Intellectual Wealth** calls back:

- Vision for Wealth
- Lived Experience
- Passion, Skills, and Abilities of Family Members


Relational Wealth Defined
The strength of relationships within one's family and communities. Building Relational Wealth entails:
Social Capital
Entrepreneurial Exposure
Leadership Development
Service & Philanthropy



White's Framework for Building Black Entrepreneurial Dynasties through
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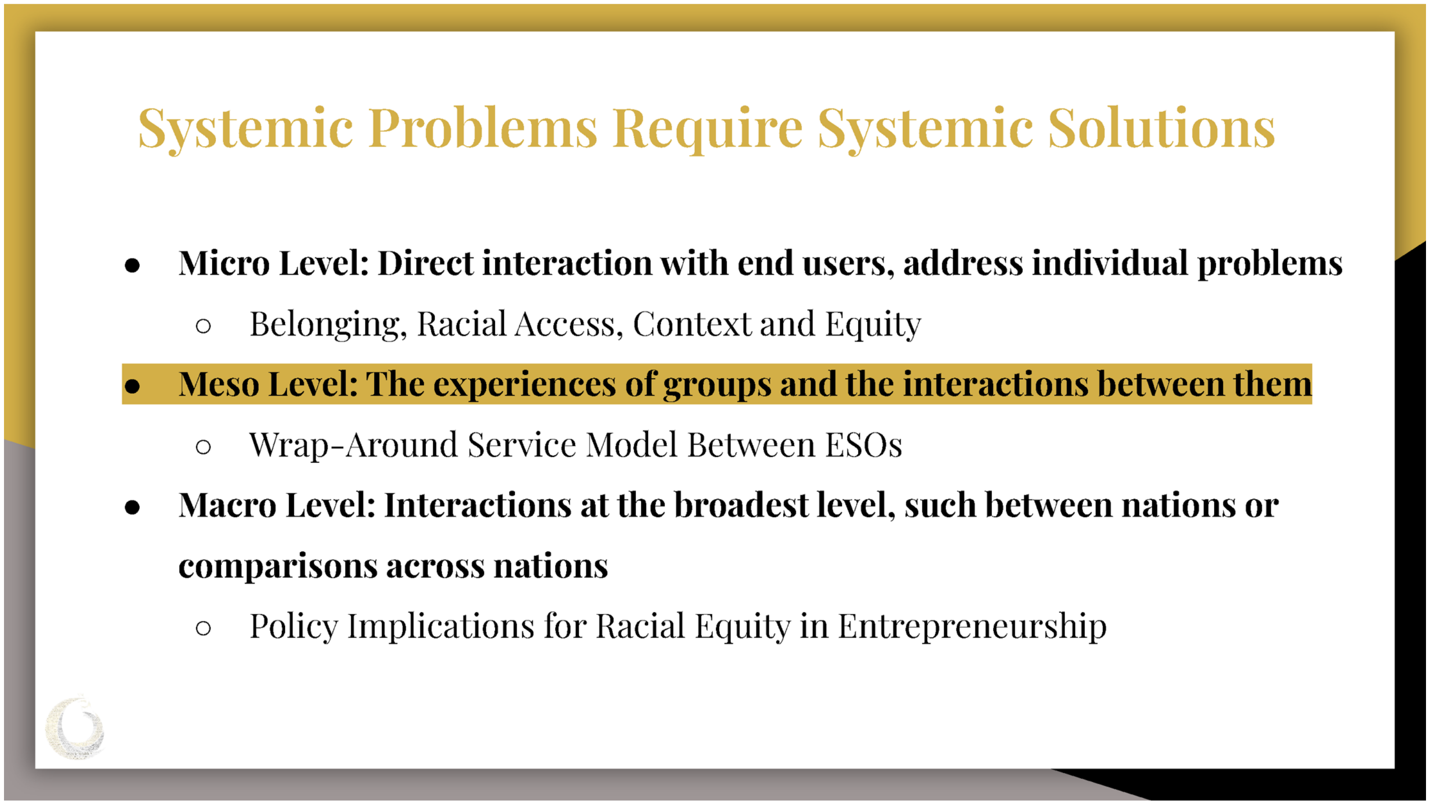
Systemic Problems Require Systemic Solutions
Micro Level: Direct interaction with end users, address individual problems
Belonging, Racial Access, Context and Equity
Meso Level: The experiences of groups and the interactions between them
Wrap-Around Service Model Between ESOs
Macro Level: Interactions at the broadest level, such between nations or comparisons across nations
Policy Implications for Racial Equity in Entrepreneurship

When the pursuit of America's global competitive position takes all voices and all lived experience into account and—

When the tide rises through federal, state, local, *and* private funding then—

The Rising Tide Will Lift All Boats

Let's Stay Connected!

Chairwoman SHAHEEN. And with that, the Committee stands adjourned. Thank you again.

[Whereupon, at 3:34 p.m., the Committee was adjourned.]