State Policies to Strengthen Worker Cooperative Ecosystems

Policy	Summary	Existing Policies/Exemplars
Financial Support Incentives + Capital Access		
Corporate Tax Exemption for Worker Co-ops	Provides newly converted worker cooperatives with a one-year corporate tax exemption.	While not a corporate tax exemption, Colorado provides an income tax exclusion for federal taxable income (HB25-1021 – passed).
Development Fund Financed by Worker-Owned Businesses	Establishes a state- or regional- development fund used to support and expand worker cooperative ecosystems funded by a small percentage of pre-tax profits from co-ops. Note: an umbrella organization is likely needed to implement this program. Practitioners may also wish to consider an indivisible reserve policy.	Italy, France, Spain, and Canada U.S. cooperative networks, such as VAWC and Evergreen, use this model
Direct State Funding to Co-ops	Expand eligibility requirements for small-business assistance and other existing grant programs to include worker co-ops. Grants can fund technical assistance, conversions, feasibility studies, and legal assistance.	MI's EO Pilot Program and CA's SEED program provide direct funding to worker co-ops.
Loan Guarantee Program	Guarantees a portion of private loans for qualified worker cooperative conversions; the state sets aside a reserve that is paid out only if a borrower defaults Some programs like state-run State Small Business Credit Initiative (SSBCI) funds can be established and capitalized without legislation (30).[1]	GA (credit guaranty) CO (cash collateral support) NY (S05685)
Preferential Access to Municipal/State Contracts	Provides worker co-ops preferential bidding for municipal and state contracts. This may include adding co-ops as a preferred source for public contracts or instituting set-aside contracts. Alternatively, EO businesses could receive discounts when bidding on contracts.	OR (HB3646) ME (LD1969) NY (S09678)
State Capital Gains Tax Exemption	Provides a state capital gains tax exemption on up to $1 million in gains for business owners who sell at least 51% of their business to a worker-owned cooperative.	CO (HB25-1021) MA (S. 305 and H 503) Other proposals in WI, MN, and NY
State Enhancement of 1042 Rollover for Worker Ownership Conversion	Creates a provision at the state level to promote the federal 1042 rollover, more readily including worker cooperatives alongside ESOPs. Could also designate in-state companies as QRPs, make conversions eligible for a state capital gains tax exemption (potentially complementing a federal exemption).	*None (but explored in COWOP's Opportunity To Own Incentives report)
Subsidized Space Access for Newly Converted Cooperatives	Would provide targeted subsidies or preferred access to publicly controlled commercial space for newly converted worker co-ops. Note: this may be more challenging to implement at the state level given the complexity of municipal real estate laws.	MD provided funding to new businesses to incentivize investment in vacant and commercial properties.
Tax Credit for Worker Co-ops	Provides cooperative businesses with a refundable tax credit to support qualified conversion, expansion, and ongoing support costs.	CO has two distinct credits: HB23-1081 – establishment and expansion; HB24-1157 – ongoing support for new co-ops TN (SB1974)
Worker Buyouts	Allows employees to sell their accrued company benefits to receive a lump sum of funding. The state then issues a matching amount of public funding for the employee to establish a worker cooperative.	Italy's Marcora Law NJ and MA provide stipends for pre-conversion technical assistance
Worker Ownership Revolving Loan Fund	Establishes dedicated state fund to support cooperative transitions, technical assistance, and other needs. Directs state to appropriate funds on a yearly basis.	NJ (A5016) – passed 9/4/26 CO (HB17-1214) – unfunded WA (SB5096) – unfunded

[1] Rosenbloom, J. (2026). Employee ownership as economic development. In *Lafayette Square Institute*.

Green = passed legislation
Yellow = introduced legislation
*As of October 30, 2026, no policies identified based on consultations with experts and preliminary internet research.

Policy	Summary	Existing Policies/Exemplars
Certification/Licensing		
Alternative Certification Process	Creates certification process for worker co-ops structured by ownership instead of labor that are not defined under state law, expanding eligibility for these entities to apply for state funding.	CO (HB 23-1081) expanded EO tax credit eligibility to include alternative ownership structures. MI (H.295)
Preferred Licensing	Provides worker co-ops with an advantage in receiving state and local licenses, such as for cannabis and liquor.	RI (21-28.11-24) NY (MRTA) MD (SB215) and MN (SF3520)
Research, Education and Awareness		
Research Infrastructure Funding	Provides public investment in partnerships with universities and research organizations to strengthen scholarship on worker ownership.	OH's EO center is housed within Kent State University, though less embedded partnerships can be established
State Office for Employee Ownership	Establishes office dedicated to advancing employee ownership through education, outreach, and peer-to-peer networking. Can include training and succession planning assistance for business owners, accountants, and legal professionals. Some EO centers are formal state agencies and others are established through nonprofits, which often receive public funding.	MA - MassCEO MI - MICEO And several other states (see additional info from Dept. of Labor)
Study AI's Impact on Employee Ownership	Direct state to fund and implement study on employee ownership, including co-ops, as a safety net for worker displacement from AI.	CA Executive Order
Pathways to Employee Ownership		
Advance Notice of Sale	Requires owners to notify all full-time and part-time workers within seven days of deciding to sell at least 51% of their business. Works together with a Right of First Refusal.	MA (S. 305) Some states require large businesses to warn workers of impending mass layoffs due to closing
Right of First Refusal (ROFR)	Gives workers 30 days from the notice of sale to signal their intent to buy, then up to 180 days to value the business and agree on a price or match a third-party offer. Workers have a right to a court injunction when a business owner fails to comply.	MA (S. 305) RI (H7964) - Proposed; notice and 30-day window only Some states and municipalities have ROFR laws for housing
Worker Co-ops in Prisons	Allow for the formation of worker cooperatives in prisons; provide funding and training to support prisoner-owned co-op startups.	Puerto Rico and Italy CA (AB 746)
Workers' Compensation for Worker Owners	Require workers' compensation insurers to set discounted rates for worker cooperative LLCs or LCAs.	*None
Worker Ownership for Damages	When owed settlements for damages, employees may receive company stock or ownership instead of cash.	*None - though could build on laws aimed at preventing wage theft
Worker Ownership in State Training Programs	Mandates state workforce development agencies include resources and fund programming on employee ownership in their trainings.	NY (SB 6794)

Link to download resource: cooperativema.org/coop-policy-directory

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