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September 27, 2017

TO: Assembly Committee on Financial Institutions
FR: Representative Dale Kooyenga
RE: Assembly Bill 354

Thank you for holding a hearing on this bill.

Assembly Bill 354 proposes to implement a relatively recent category of business incorporation called Benefit Corporation here in Wisconsin. Currently, thirty-one states allow the formation of Benefit Corporations including two bordering states, Minnesota and Illinois. More states are expected to be moving in the direction of creating B-Corps.

There are no tax benefits of selecting a B-Corporation over alternative corporate structures. However, thousands of businesses across our country have identified advantages of selecting the B-Corporation structure. Although current by-laws can provide similar company missions, the legal designation makes it easier for investors, consumers and potential employees to identify businesses that have the dual mission of being a profitable business while also being specifically chartered to engage in one or more social issues.

The new designation does not presume that many businesses and investors do not already use their businesses to better our communities. In my experience, the vast majority of our businesses and business professionals are already providing a significant direct and indirect benefit to their communities.

There is a market for the B-Corp model and Wisconsin should embrace it and accommodate this demand with a sense of urgency this legislative session. Consumers may prefer a product that is from a B-Corp similar to how certain consumers prefer "Free-Trade" or "Organic." Potential employees, in particular younger employees, are often attracted to the B-Corp structure. Finally, there are also large investment funds that are designated as "socially responsible" and having Wisconsin businesses designated as B-Corps could make the business attractive to a new pool of investment dollars.

I have visited numerous businesses, primarily in Milwaukee's central city, that have requested the new legal designation in order to better reflect their mission. When Wisconsin allows B-Corps there will be copious new business formations across the state taking advantage of the opportunity.

Thank you for your attention to this legislation. I respectfully ask for your support of Assembly Bill 354.



PATRICK TESTIN

STATE SENATOR

DATE: September 27, 2017
RE: Testimony on 2017 Assembly Bill 354
TO: The Assembly Committee on Financial Institutions
FROM: Senator Patrick Testin

Chairman Katsma and members of the committee, thank you for today's opportunity to submit testimony on behalf of Assembly Bill 354 (AB 354). Allowing companies to seek benefit corporation status is a movement that is spreading across the country, with 32 other states allowing corporations to file articles of incorporation as "B-Corps." Put simply, AB 354 opens yet another door for companies to grow and do business in Wisconsin.

Many Wisconsin companies are good neighbors that strive to make an impact on their communities. However, for-profit businesses have limited mediums in which they can communicate their values. By creating the B-Corp designation, this bi-partisan legislation would enable for-profit companies to signal to consumers that their mission was to create a general public benefit.

In this case, a "general public benefit" is defined as a material positive impact on society and the environment by the operations of a benefit corporation taken as a whole, through activities that promote some combination of specific public benefits. Many corporations realize that consumers are not only looking to buy and invest in positive products, but they are now looking to buy and invest in companies and corporations that strive to better communities across the country.

Although profit is important, a general sense of well-being is equally important to many for-profit companies. To capture this, and to ensure that B-Corps are benefiting society, AB 354 lists the following examples of "specific public benefits:"

1. Providing low-income or underserved individuals or communities with beneficial products or services;
2. Promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business;
3. Preserving the environment;
4. Improving human health;
5. Promoting the arts, sciences, or advancement of knowledge;
6. Increasing the flow of capital to entities with a public benefit purpose;
7. The accomplishment of any other particular benefit for society or the environment

It is important to note that this bill does not change traditional corporate regulations, and does not change tax liabilities. Additionally, shareholders will still be granted the same protections as they did prior to incorporating and they will be provided with a detailed annual statement of the benefit corporation's promotion of general public benefit.

Thank you for allowing me to submit testimony today. If there are any additional questions, please feel free to contact my office.



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Thank you Mr. Chairman and members of the Financial Institutions Committee,

Assembly Bill 354 is a no-cost economic development opportunity for Wisconsin that 33 other states have already put in place, allowing for businesses to incorporate as a benefit corporation. AB 354 does not change or impact existing tax law, nor are benefit corporations taxed any differently than other types of corporations. It allows for companies to create a type of corporate structure that gives them the freedom and flexibility to consider the effects of decisions on employees, the surrounding community, and general public benefit.

Instead of using profits as the sole measure of corporate performance, shareholders in a benefit corporation also assess whether the company has achieved a positive societal impact. Choosing benefit corporation status is completely voluntary and has no impact on existing corporations, other corporate forms, taxes or government regulation. Benefit corporations make sense for all different types of business with different values, regardless of partisan affiliation. Existing Benefit Corporations in other states have been able to use their status as a tool to recruit and maintain talent. Benefit Corporations take on a higher level of scrutiny than their peers, because of this status, Benefit Corporations have to practice what they preach and will be held accountable by shareholders if they do not live up to their own standards.

Benefit corporation legislation has received wide bipartisan support with almost ninety percent approval on all floor votes of the thirty three states, including Indiana, Illinois and Minnesota that already have this legislation. Over four thousand companies including Kickstarter, Etsy, Patagonia, Ben & Jerry's, New Belgium Brewing Company, and Warby Parker are classified as benefit corporations. We want to ensure that Wisconsin is a business-friendly state and this legislation would enable individuals to conduct their business affairs with the greater freedom and develop new paths to prosperity. This bill has been introduced in the previous sessions and has been met with widespread bipartisan support. While my involvement in this legislation is more recent, a constituent and friend reached out to my office last session passionately advocating for the bill.



WISCONSIN STATE REPRESENTATIVE

Dianne Hesselbein

79TH ASSEMBLY DISTRICT

TESTIMONY OF REP. DIANNE HESSELBEIN, DISTRICT 79

AB 354, CREATING THE BENEFIT CORPORATION CATEGORY OF BUSINESS

ASSEMBLY COMMITTEE ON FINANCIAL INSTITUTIONS

September 27, 2017, Room 328 Northwest

Chairman Katsma and members of the committee, thank you for the opportunity to testify.

AB 354 aims to bring Wisconsin into the company of a growing number of over 32 states – including Minnesota and Illinois – that have found it a good idea to create a new category of business incorporation called the Benefit Corporation and six including Wisconsin are working on creating one.

As investors and others – liberal and conservative -- grow attracted to socially-conscious investing and working in a value-driven workplace, the Benefit Corporation model offers an additional path.

The Benefit Corporation is a for-profit corporation with one important difference. The difference is that it has as its stated purpose the creation of a “general public benefit.” This sets it apart from corporations that believe they must pursue maximum profit at all costs or face possible shareholder lawsuits. The Benefit Corporation is free from these worries.

This is because the Benefit Corporation defines the “best interest” of the corporation to include not just the welfare of the **shareholders** but of all the **stakeholders**, including employees, the communities served, and the environment.

If we adopt this bill, no new tax benefits are created, and there is no impact on current tax law. Passing benefit corporation legislation simply facilitates a new market in which current shareholders, consumers and potential investors can make decisions based on companies’ overall mission and performance. It expands the definition of “return on investment.”

There are many reasons Wisconsin should adopt and pass Benefit Corporation Legislation. It would mean more freedom for businesses. Benefit corporations are completely voluntary and shareholders enjoy all the same protections and permissions found in traditional corporate law. There is no cost to the State. And, there is an opportunity for leadership.

Wisconsin advertises that it is open for business, and our state has been a pioneer in the past at developing new paths to prosperity such as the consumer cooperative, of which we are a world leader. Let’s take this opportunity to broaden our portfolio and show the world that we are willing to try a new way of being open for business.

Thank you.

Benefit Corporation Enabling Legislation

AB354/SB298 (Representative Ken Skowronski, Dianne Hesselbein, and Senator Pat Testin)

A benefit corporation (B-corp) is a type of for-profit corporate entity that has a mission focused on not just profit and shareholder value, but also on creating a positive impact on society. This legislation will bring Wisconsin in line with 32 other states in allowing the VOLUNTARY creation of such corporate entities.

AB354/SB298 will:

- Allow the creation of a benefit corporation by including in the articles of incorporation at the time of formation, or by later amending the articles of incorporation to include, a statement that the corporation is a benefit corporation.
- Allow a corporation to terminate its status as a B-corp by amending the articles of incorporation to delete this statement.
- Define a "general public benefit" as a material positive impact on society and the environment by the operations of a benefit corporation taken as a whole, through activities that promote some combination of specific public benefits."
- Provide for shareholder transparency. Not only would they have to vote to form a B-corp., the bill provides for shareholder reporting about efforts to create a positive societal benefit.

Why support this bill?

- In the 35 other states where this legislation has passed (see map below), it has done so with bipartisan support by over 90% of voting legislators.
- Over 3,500 companies in America, including Kickstarter and Patagonia, are organized as B-corps.
- With growing interest from Wisconsin companies in this status, if this state remains an outlier we risk interested employers leaving the state with their jobs.
- Examples of "specific public benefits" B-corps may undertake include all of the following: 1) providing low-income or underserved individuals or communities with beneficial products or services; 2) promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business; 3) preserving the environment; 4) improving human health; 5) promoting the arts, sciences, or advancement of knowledge; 6) increasing the flow of capital to entities with a public benefit purpose; and 7) the accomplishment of any other particular benefit for society or the environment.
- This is similar to 2015 AB59, authored by Senator Darling and Rep. Kooyenga.

This bill does NOT:

- Have a fiscal impact on the state.
- Change or alter tax code in any way or otherwise impact existing corporations or their regulation.
- Dilute shareholder value or input. They must vote to create a B-corp and can vote to terminate B-corp status. Also, shareholder value remains an important goal of the corporation. This simply frees the entity to think about public benefit as well.

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