



SocialEnterpriseTrust.org

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reSET – Social Enterprise Trust

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Testimony of James Woulfe, Program Associate

IN SUPPORT OF H.B. 6356 AN ACT CONCERNING BENEFIT CORPORATIONS AND ENCOURAGING SOCIAL ENTERPRISE

Before the Joint Committee on Commerce

February 28, 2013

Good morning Senator Lebeau, Representative Perone, Senator Frantz, Representative Lavielle and Members of the Commerce Committee,

My name is James Woulfe, I am a resident of Middletown, Connecticut, and I have come before you today to express my support for H.B. 6356 – An Act Concerning Benefit Corporations and Encouraging Social Enterprise. I am a law student, and a Program Associate at reSET – Social Enterprise Trust, a 501(c)3 organization dedicated to promoting, preserving, and protecting social enterprise in Connecticut.

Throughout my time in law school, and my time with reSET, I have had the opportunity to conduct extensive research on the various forms of social enterprise legislation that have been passed across the nation. I can state unequivocally that H.B. 6356 is the most comprehensive piece of social enterprise legislation ever introduced in the U.S.

There has been a lot of discussion today about what H.B. 6356 does, like protecting the social mission of a social enterprise, ensuring that a business that incorporates as a benefit corporation operates in a transparent manner and is held accountable for creating a social impact, and of course allowing a company to preserve its social mission in perpetuity with its legacy preservation provision. I'd like to take some time, however, to discuss two things that the benefit corporation legislation we are advocating for today does not do.

Benefit corporations do not create a new body of tax law, nor do they receive the same tax breaks as non-profit organizations. Benefit corporation legislation supplements the current body of corporate law in place here in Connecticut, and as a result, benefit corporations are taxed in the same way as a garden variety corporation is.

Applying the for-profit corporate tax structure to benefit corporations is one of the many elements of H.B. 6356 that makes it so attractive for Connecticut, and the ideal legal solution for social entrepreneurs in the state. Without a familiar tax structure, it would be difficult for benefit corporations to attract investment capital from socially conscious impact investors. Too few attorneys, accountants, and business-people would understand the complex legal issues and tax implications of making investments in benefit corporations.

Social Enterprise Trust is a not-for-profit organization recognized as tax exempt under Internal Revenue Code Section 501 (c)(3).

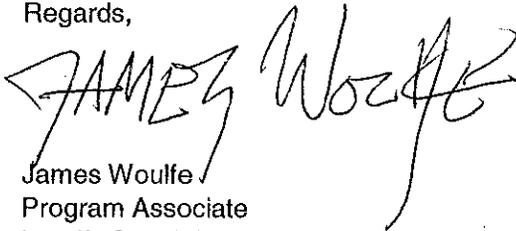
Because benefit corporations are taxed as for-profit businesses, however, H.B. 6356 makes it possible for new impact investment capital to make its way to the many social entrepreneurs operating here in Connecticut, so they can grow profitable businesses that solve our most troubling social issues.

In addition, Benefit corporations do not pose a threat to the primacy or effectiveness of non-profit organizations – on the contrary, they will help provide support to the non-profit sector. As the nonprofit sector continues to grow, demand for public and philanthropic funding is outstripping supply. Benefit corporations can be established by non-profit organizations to generate additional sources of revenue that will help nonprofit organizations sustain and increase their public benefit.

Benefit corporation legislation will allow nonprofit organizations to create hybrid structures that will help generate revenue, while still remaining true to their social mission. Notable examples of this type of blended business model include Newman's Own, Warby Parker Eyewear, and TOM'S Shoes.

I want to thank Governor Malloy, and Representative Haddad for their efforts to bring benefit corporations to Connecticut, and I urge the Commerce Committee to support H.B. 6356 – An Act Concerning Benefit Corporations and Encouraging Social Enterprise. Thank you for your consideration, and please do not hesitate to contact me any with questions.

Regards,

A handwritten signature in black ink that reads "JAMES Woulfe". The signature is written in a cursive style with a large, stylized "J" and "W".

James Woulfe
Program Associate

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