



**TECHNET**  
THE VOICE OF THE  
INNOVATION ECONOMY

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## **TechNet Applauds House Passage of Legislation to Encourage Formation of Dynamic Startups**

*Washington*—TechNet, the national, bipartisan network of innovation economy CEOs and senior executives, today applauded the House passage of two pieces of legislation that provide much needed reforms to the laws governing early stage financing of dynamic startups.

On Tuesday, the U.S. House of Representatives approved the *Supporting America's Innovators Act of 2016* (H.R. 4854) and the *Fix Crowdfunding Act* (H.R. 4855).

**“The most significant step our nation can take to drive economic growth and job creation is to make it easier for small startups to grow into large ones,”** said Linda Moore, TechNet president and CEO. **“This legislation will make it easier for dynamic startups to access financing and clarify the rules around crowdfunding. Taken together, these bills will expand access to early-stage funding, improving the process by which innovators scale their companies and create American jobs.”**

### **Background on legislation**

The *Supporting America's Innovators Act* will expand the pool of investors eligible to participate in venture capital funds, creating a more robust venture funding marketplace and increasing the amount of capital startups can potentially raise.

The *Fix Crowdfunding Act* contains a number of sensible and timely reforms to the recently finalized Title III crowdfunding rules of the *JOBS Act*. In particular, the legislation defines the requirements and authority by which intermediaries can disqualify issuers who make untrue statements or engage in fraud. The legislation also makes important reforms that will allow more companies to “test the waters” and solicit non-binding commitments from potential crowdfunding investors without filing with the Securities and Exchange Commission. Finally, the legislation creates a powerful incentive for more crowdfunding portals to enter the marketplace by providing a 5-year grace period for portals to make a good faith effort to comply with all crowdfunding rules.

### **TechNet Startup Agenda**

Over the last year, TechNet has been advocating for policies that boost the creation and development of dynamic startups. The agenda includes:

### **Immigration Reform**

The world's most talented innovators and entrepreneurs should be able to stay in the U.S. and contribute to the economy, rather than be forced out to start competitor businesses in competitor nations. TechNet supports:

- An increase in the total number of H-1B visas.
- The removal of per-country green card caps.
- The creation of a new STEM visa for foreign students who have earned master's degrees or above.

### **Education Reform**

An educated, diverse American workforce is the lifeblood of the innovation economy. TechNet supports:

- Consistent short and long-term funding for STEM and computer science courses.
- Strong standards and rigorous assessments to better evaluate what and how students are learning.
- Programs that ensure principles of computer science, computational thinking, and STEM skills are integrated in other areas of K-12 instruction.
- Effective professional development and new teacher training programs to train high-quality STEM and computer science teachers.
- Policies and programs that focus on providing STEM education and career opportunities for female and minority students.
- School and public-private programs, such as robotics clubs, that emphasize hands-on, inquiry-based learning to inspire the next generation of scientists and engineers.

### **Dynamic Labor Laws**

The modern American workforce requires a flexible employment environment that allows workers to find opportunities that best match their skills, interests, and availability.

- TechNet opposes efforts to eliminate or severely restrict this essential flexibility, including restrictions on the use of independent contractor and consultant classifications, inflexible overtime rules, and the indiscriminate expansion of collective bargaining rules.
- TechNet supports efforts to develop new avenues and "safe-harbors" that empower companies to provide benefits to workers without impacting classification outcomes.

### **Access to Capital and Markets**

Startups thrive when they have access to capital and markets. State and federal policymakers can improve the capital allocation process through targeted reforms to regulatory and tax law. TechNet supports:

- Federal policies that create "venture exchanges."

- Tax reforms that allow employees of private companies to defer the tax associated with the exercise of their personal equity until they sell the underlying shares and thus have the cash to pay the tax.
- State-level policies that encourage crowdfunding.
- The permanent exclusion of federal and state capital gains taxes on investments in startup businesses that are held for more than five years.
- Innovative tax credits that can apply to taxes beyond corporate income tax obligations.
- A smart regulatory approach that requires state and federal regulators to review any regulation's impact on startup companies and new business creation.
- Patent litigation reform that levels the playing field to promote innovation in all sectors of the economy and minimize frivolous litigation.
- Tax reforms that allow startup companies and their employees to hold and sell their stock options and grants at appropriate tax valuations.
- The exploration of new ownership models, including co-ownership between inventors and universities.
- The creation of a National Innovation Foundation – modeled after the National Science Foundation – to focus on innovation and technology commercialization.
- International trade agreements that reduce market access barriers for digitally delivered goods and services, promote the free flow of data across borders, and contain safe harbors against intermediary liability and strong protections for intellectual property.
- Procurement reform at the local, state, and federal level that acknowledges the evolving technology landscape and enables governments to purchase and utilize innovative and secure products on a technology neutral basis.
- Efforts to open up insurance markets to competition.

### **About TechNet**

*TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes dynamic startups to the most iconic companies on the planet and represents more than 2.5 million employees in the fields of information technology, e-commerce, advanced energy, biotechnology, venture capital, and finance. TechNet has offices in Washington, D.C., Silicon Valley, San Francisco, Sacramento, Austin, Boston, Seattle, Albany, and Tallahassee.*

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