



National News

TechVoice Applauds Introduction of Start Up Jobs and Innovation Act

December 11, 2013

Sen. Pat Toomey
248 Russell Senate Office Building
Washington, D.C. 20510

Sen. Robert Menendez
528 Senate Hart Office Building
Washington, D.C. 20510

RE: S. 1658 - Support for "Start Up Jobs and Innovation Act"

Dear Senators Toomey and Menendez:

TechVoice is pleased to voice support for S. 1658, the "Start Up Jobs and Innovation Act." We applaud you for introducing this important legislation, which will continue our economic recovery by addressing major concerns of small technology businesses and startups.

TechVoice is a partnership comprised of CompTIA, the Technology Councils of North America (TECNA), and participating regional technology associations. TechVoice is dedicated to empowering and mobilizing the grassroots tech community to impact legislative and regulatory issues important to growth, innovation and job creation. More than 16,000 technology-related companies are represented through the TechVoice alliance.

The strength of the IT sector specifically, and many related tech industries broadly, rests in its ability to remain innovative, current and competitive within a \$3.6 trillion global industry. IT SMBs and start-ups represent about 40% of industry jobs and thus are an integral segment of the larger tech ecosystem and the American economy as a whole.

Yet many of these companies operate close to the margin and policies that help such firms to invest more dollars in actual product development and/or customer service will help them stabilize as they continue to come back from the challenges of the great recession. A recent TECNA survey of 1700+ C-level tech executives of companies of all sizes revealed that while many are considering investing in new hires and new business lines, there persists a general lack of confidence about the state of the economy. Concerns about lower margins or downward pressure on pricing took a big jump – from 22% in the 2012 survey to 38% this year.

Preventing a scheduled drop in the small business expensing limitation from \$500,000 to \$25,000 would certainly bolster nascent growth and investment plans. Incentivizing investments in small businesses by allowing investors to take loss deductions and credits from the business, as well as exclude capital gains from investments in small businesses, would markedly improve



access to capital. Allowing these small businesses to deduct startup costs and maintain the simpler and less costly cash accounting method address both taxation and regulatory concerns.

Accordingly, we are fully supportive of this important legislation:

- **Small Business Expensing.** The current \$500,000 small business expensing limitation would be made permanent and would be adjusted annually for inflation. Without legislative action, this limitation will drop to \$25,000 for 2014. TechVoice has continually supported maintaining the higher limitation, which will enable small businesses to continue to make investments in assets – including technology – that improve business operations and profitability, benefitting both small businesses and our overall economy.
- **Small Business Investors.** Investors in certain small businesses would be allowed to exclude 100% of the capital gain on such investments, and the threshold for what constitutes a qualifying small business would be increased. This will be an incentive to long-term investors in small businesses, which will allow small businesses to attract the investment they need to create jobs and compete in today's global economy.
- **Startup Costs.** The bill would raise the allowable deduction for startup business costs to \$10,000, from its current \$5,000 level. This means that startups can deduct an additional \$5,000, as opposed to writing this amount off over a 15-year amortization period.
- **Loss Deductions and Credits for Investors.** Small businesses would be allowed to pass through losses and credits to investors that the small business could not otherwise use. Losses or deductions from a qualified research activity conducted by a high tech research small business pass-through firm would not be treated as a passive loss to the investor. Typically, startup companies have no net income, and therefore, do not have a current income tax against which to offset losses and credits. Allowing these tax benefits to flow through to small business investors, promotes investments in small businesses, creating jobs to fuel the American economy.
- **Cash Accounting.** More small businesses would be able to use the “cash accounting” method, easing a significant tax compliance burden for small businesses. The legislation would allow businesses with gross receipts of less than \$10 million (currently less than \$5 million) to use cash accounting. Small businesses are less capable of bearing tax compliance costs and any reduction in compliance burden allows these businesses to use the savings to improve and grow their businesses.

We believe the “Start Up Jobs and Innovation Act” will bolster our economy by providing tangible tax incentives to both small tech businesses and those who invest in these businesses, and we look forward to providing whatever assistance we can in moving this legislation forward.

Sincerely,

Steven Zylstra, President & CEO
Arizona Technology Council

Bradley Nellis
NE Ohio Software Association

Doug Young, COO & Sr. Vice President
The ASCII Group

Matt Cookson
New Hampshire Technology Association



Julie Huls, President & CEO
Austin Technology Council

Kris Valerio, Executive Director
Chesapeake Regional Tech Council

Wendy Nkomo, COO, VP Industry Affairs
Colorado Technology Council

Elizabeth Hyman, VP of Public Advocacy
CompTIA

Gary Klein, Vice President, Public Policy
CONNECT

Matthew Nemerson, President & CEO
Connecticut Technology Council

Jay Larsen, President & Founder
Idaho Tech Council

Fred Hoch, President & CEO
Illinois Technology Council

Ryan Weber, President
KCNext

Tom Hopcroft, President & CEO
Massachusetts Technology Leadership Council

Bill Sproull, President & CEO
Metroplex Technology Business Council

Margaret Kelliher, President & CEO
Minnesota High Tech Association

Maxine Ballen, President & CEO
New Jersey Technology Council

Erik Grimmelmann, ED & Vice Chairman
New York Technology Council

Brooks Raiford, President & CEO
North Carolina Technology Association

Peter Craig, Chairman
Orange County Tech Alliance

Heather Kenyon, President & CEO
Tampa Bay Technology Forum

Tino Mantella, President & CEO
Tech Association of Georgia

Kathie Shields, Executive Director
Tech Collective

Dawn Marie Yankeelov, Co-Chair
Technology Association of Louisville Kentucky

Skip Newberry, President
Technology Association of Oregon

Dave Bonsick, President & CEO
Technology Council of Pennsylvania

Bob Moore, Executive Director
Technology Councils of North America

Richard Nelson, President & CEO
Utah Technology Council

Michael Schutzler, CEO
Washington Technology Industry Association