

The Startup Act

Senator Jerry Moran (R-KS) and Senator Mark Warner (D-VA)

Section-by-Section Summary

Section 1 – Short Title, Table of Contents

Section 2 – Findings

Section 3 – Economic Impact of Major Regulations

- Requires an extensive cost-benefit analysis of all proposed “major rules” and expands that analysis requirement to independent regulatory agencies. The required analysis will, to the extent possible, quantify the benefits of the rule, and the anticipated costs of administration, compliance, and reduced efficiency.
- Requires federal agencies to examine the purpose of proposing additional regulation and provide an analysis of alternatives to the rule that would accomplish the same goal.
- Requires agencies to consider the effect of new major rules on startups.

Section 4 – Permanent Full Exclusion Applicable to Qualified Small Business Stock

- Makes permanent the 100 percent exemption on capital gains taxes for investments held for at least five years in “qualified small businesses,” which are defined as having less than \$50 million in total assets.

Section 5 – Income Tax Credit for Certain Startup Small Businesses

- Establishes an income tax credit for startup small businesses. Allows qualified small businesses to claim the tax credit for 100 percent of taxable profits in the first year of profit and 50 percent of profits in the two succeeding taxable years, and zero percent thereafter.
- The amount of income eligible for the tax credit is capped at \$5 million in each of the three years.

Section 6 – Study of Regulatory Impact of Possible Sarbanes-Oxley Reform

- Amends an existing project underway at GAO regarding compliance costs with the Sarbanes-Oxley Act of 2002 by requiring the GAO to study the effects of making compliance with Section 404(b) of Sarbanes-Oxley voluntary for small issuers. The

GAO would be required to study the possible effects of such a reform on prospective investors, shareholders, and the markets.

Section 7 – Accelerated Commercialization of University-Based Research

- Uses existing federal funding for research and development to support innovative initiatives at American universities to accelerate and improve the commercialization of faculty research. Grants will be awarded to universities pursuing specific initiatives to improve commercialization capacity and to assist universities that want to pursue initiatives that allow faculty to approach technology transfer programs outside their institution of employment to commercialize research.
- Creates a committee of technology transfer experts, university stakeholders, and others with private sector experience in commercializing new technologies and new company formation to advise the Secretary of Commerce on the grant program created in this section. The committee will issue criteria to guide university grant applications and will issue recommendations on which grant proposals to fund.
- Directs the committee to issue a report evaluating the effectiveness of the grant program in accelerating the commercialization of faculty research.

Section 8 – Conditional Permanent Resident Status for Foreign-Born Residents with an Advanced Degree in Science, Technology, Engineering, or Mathematics

- Creates a new visa for up to 50,000 foreign students who graduate from an American university with a Master's or Ph.D. degree in science, technology, engineering, or mathematics.
- Visa recipients would be granted conditional status contingent upon their remaining actively engaged in a STEM field for five consecutive years. Once conditional status is lifted, the visa holder becomes a permanent legal resident with the option to naturalize.
- Directs the GAO to conduct a study within three years of passage of the Startup Act on the utilization of the new visa.

Section 9 – Immigrant Entrepreneurs

- Creates a new visa for up to 75,000 immigrant entrepreneurs who hold an H-1B visa or have completed graduate level work in a STEM field, and who during the 1-year period after the [new](#) visa is issued register at least one new business entity which employs at least two full-time, non-family member employees, and invests or raises capital investments of at least \$100,000.
- If these requirements are satisfied, the entrepreneur would have three additional years to remain in the U.S. and operate his or her business. During the three-year period, the entrepreneur must employ at least five, full-time, non-family members

for the business entity. At the end of the three years, a recipient may apply to remove the conditional status.

- Defines “full-time employee” as a United States citizen or legal permanent resident who is paid by the immigrant entrepreneur at a rate comparable to the median income of employees in the region.
- Directs the GAO to conduct a study within three years of passage of the Startup Act on the utilization of the new visa.

Section 10 – Biennial State Startup Business Report

- Directs the Department of Commerce to compile a new report that analyzes state laws that affect the formation and growth of startups in each state and the District of Columbia. States and the District will be ranked based on the effectiveness with which their laws foster new business creation and economic growth.

Section 11 – New Business Formation Survey

- Directs the Department of Commerce to compile and publish information on new business starts within the United States.