

## CONNECT weighs in on Tax-Extender Package

The House Ways & Means Committee is considering using Rep. Sander Levin's (D - MI) carried interest bill to pay for an end-of-year tax "extender" package.

CONNECT contends that the consequences of this bill would have a negative impact on start-up companies and job creation in San Diego, and the nation at large. At the request of the National Venture Capital Association, CONNECT sent a letter to San Diego legislators in opposition to the proposed policy.

The Levin bill will largely eliminate capital gains tax status for venture capital investors who successfully fund new companies. The fundamental basis for capital gains tax policy is to reward long term, high risk investors. Venture capitalists work alongside entrepreneurs to build companies from the ground up, spending 5-10 years creating economic value, bringing innovation to market and generating millions of jobs along the way. According to the online job board StartUpHire.com, venture backed start-up companies filled more than 24,000 jobs in 2009 thus far, adding an estimated 3,000 new jobs each month.

At CONNECT, we witness first-hand the substantial impact venture capitalists have on the start-up process and the negative ramifications of the recession on the venture industry. The number of venture capital firms in the United States continues to decline at a steady pace. Thus far in 2009, venture investment has fallen in total dollars by 45 percent as they are largely forgoing new investment activity so that we can nurture our existing companies during this economic crisis. The average age of a venture-backed company when it goes public has risen from 5.5 years in 1999 to 10.3 years in 2009. Venture capitalists are supporting start-up companies longer than ever. Doubling the taxes on venture capitalists that are the primary source of risk capital to young companies will inflict significant harm on our already fragile ecosystem. We need Congress to support their activity by maintaining existing tax incentives to ensure the start-up community receives the support it needs to grow and deliver new technologies to the marketplace.

CONNECT sent a letter to the San Diego delegation encouraging them to use other vehicles to pay for the tax-extender package that would not hinder long-term investment in start-up companies.