



**House Commerce and Economic Development Committee
Creating Targeting Economic Initiatives – January 17, 2014**

Vermont's technology companies represent one of the strongest sectors of the Vermont economy and an economic growth opportunity for the state. Vermont's technology companies create jobs that earn higher than average Vermont salaries, bring money into the state, and generate significant tax revenue.

The Enhancing Vermont's Software and Information Technology Economy committee, in its report submitted on January 15, 2013, found that small technology companies often have fewer opportunities for investment and less access to bank loans compared to larger, capital intensive businesses. Payroll is often the greatest expense of many technology companies; with limited collateral, financing working capital presents a higher risk and is more difficult for these businesses. However, providing access to financing for people creates jobs and helps small technology companies succeed and grow.

The Vermont Technology Alliance supports the adoption of the finance recommendations made in the [Enhancing Vermont's Software and Information Technology Economy](#) report:

The Vermont Technology Alliance supports these recommendations from the committee's report:

- Replenish for 'first-loss' and loan guarantee funding through VEDA
- Modify the VEGI program by simplifying or creating an exemption for the "but-for" clause to make it more accessible for use by smaller technology companies (Vermont-based business with under \$5 million in annual revenues adding 10 or fewer employees).
- Provide preferential treatment for capital gains that are reinvested in Vermont technology companies, with the goal of providing incentive for greater investment of private capital into these higher risk ventures.
- Eliminate the Business Entity Tax for the first three years of the life of a business organized as a pass-through entity.
- Amend current statutes to provide a clear safe harbor provision for the potential employee misclassification of independent contractors in the software and IT sectors. Specifically, the ABC test that is used to determine whether an employer is required to provide unemployment insurance coverage should be revised or eliminated to support the realities of the workplace in the tech sector and creative economy.