



Testimony to the House Commerce and Economic Development Committee

February 6, 2014

Jeff Couture – Executive Director, Vermont Technology Alliance

Re: H. 736 - An act relating to creating targeted economic development initiatives

Thank you for the opportunity to speak with you today about House Bill 736 – An act relating to creating targeted economic development initiatives.

The Vermont Technology Alliance strongly supports H. 736 and its set of recommendations to expand economic opportunities, particularly for the state’s technology-based economy.

The Vermont Technology Alliance believes that Vermont’s technology business segment, and the technology or knowledge-based entrepreneurs who are the heart of this segment, represent an economic growth opportunity for the state.

Vermont is home to innovative companies that are creating world-leading technology products, software and services that generate taxes for the state and create jobs that earn higher than average Vermont salaries. The Vermont Technology Alliance believes that with the right focus, attention, promotion and support Vermont can become a hub for technology business growth.

We believe that H.736 will help make that happen. This bill addresses the major concerns, requests and recommendations that we hear from our membership and the tech community at large.

I have only a few observations about the sections I’ve been invited to comment on

Section 1 – One stop business support services

A one-stop resource for doing business in the state will be well received by the tech start-up community. I hear the need for this is expressed frequently at our events and gatherings, particularly by smaller and start-up companies.

We do not have a specific preference for where this information should reside, only that it be promoted and easy to find. Having it as part of the Department of Economic Development seems practical, assuming that is where new and growing businesses and entrepreneurs will turn to first. The information may already exist through the Agency of Commerce web site, but for whatever reason it is not obvious to many current and prospective business owners and

entrepreneurs. As a business association, we try to offer direction and referrals, but a central source for Vermont businesses would be a welcome service and provide marketing value to the state.

We also support the establishment of a registry or some other mechanism to better quantify Vermont's "knowledge-based" businesses in Vermont as a way to better understand and grow this business segment.

Section 5 – Networking Initiatives

The Vermont Technology Alliance appreciates the support for its efforts with the recommendation of funding for the Alliance to providing funding for the sponsorship of networking events to connect entrepreneurs with funding providers. We would partner with the state or other organizations to ensure the effective use of these funds. We have seen the power of collaboration and networking at events the vtTA has sponsored to bring people together to generate ideas, find opportunities, make contacts and find the people they need to support their businesses.

We have been grateful for grant support we have received from the Agency of Commerce for the past several years. This has enabled us to organize events, triple our membership, and promote the growth of technology businesses and jobs in Vermont.

Sections 10-14 – Elimination of Business Franchise Taxes and Fees

The vtTA supports the elimination of taxes and fees for partnership or limited liability companies in their first three years of operation to support and encourage startup ventures. Many are started in a home or garage by one or two individuals who have limited financial resources. This effort can help reduce the initial financial burden, easing the path from startup to operation, and sends a positive message that Vermont encourages entrepreneurs. A startup with one or two people today could turn into the next Dealer.Com tomorrow.

Section 15 – Sales tax on Remotely Accessed Software

The vtTA believes that if Vermont wants to present itself as a state that welcomes technology businesses and economic development, it should not tax remotely accessed software. Vermont businesses who sell remote access software services and those who depend on it to run their businesses believe that it places Vermont at a disadvantage compared to other states as locations for tech enterprises. Some confusion about the tax remains, as at the end of the year specific guidelines from the tax department have yet to be issued.

Sections 19-20 – Modification of "But-For" Test for VEGI Awards to Knowledge-Based businesses

The Vermont Technology Alliance supports changes to the Vermont Employment Growth Incentive grant program to make it more accessible and less burdensome for use by smaller technology or knowledge-based businesses. These are companies that might add 10 or fewer employees and for whom the grant might make a significant difference. Most small businesses are careful and conservative about adding new employees – this would provide them with one more incentive to create jobs in Vermont. As with the program in general, these companies would only get the incentive if they meet their hiring commitments.

The Vermont Technology Alliance believes that the initiatives in H.736 will help strengthen Vermont's practice and perception as a state that welcomes and encourages technology and "new economy" entrepreneurship.