

Support Our Start-Ups Act

U.S. Senator Tammy Baldwin (D-WI) and John Hoeven (R-ND)

The Support Our Start-Ups Act is tax reform legislation that will make it easier for entrepreneurs to start a new business by increasing the amount of start-up and organizational costs they are able to deduct from federal income taxes.

The Issue

New businesses and entrepreneurial ventures are an important source of job creation in the United States, while also fueling innovation, competition and productivity. New business start-ups have accounted for just under 30 percent of new jobs in the United States each year since 2011. Despite what we know about new businesses driving job growth, start-up rates are declining across all sectors of the economy across the country, and these new businesses are generating fewer jobs than their predecessors.

In October 2019, the Kauffman Foundation published Indicators of Entrepreneurship to enable state comparisons across geographies and demographic groups. According to Kauffman's findings, from 2014 to 2018, Wisconsin had a lower rate of new entrepreneurs compared to states with similar populations and per capita GDP.¹ Wisconsin also ranked below neighboring states in the average number of jobs created by startups in their first year.

More needs to be done to lower the cost of starting a new business, including by reducing tax burdens on entrepreneurs in their first year. Before even opening for business, entrepreneurs must oftentimes begin paying for rent, employee training, advertising, supplies and other necessities. Along with loans and outside capital, many entrepreneurs rely on personal savings and other means of self-finance. Entrepreneurs are able to deduct start-up costs from federal taxes, however, the current deduction is capped at \$5,000 in the first year of the business. The deduction is also reduced by the amount of total start-up costs exceeding \$50,000.

The Support Our Start-Ups Act will:

- Increase the amount that may be deducted for start-up expenditures from \$5,000 to \$20,000, allowing small business owners to put money back into their business sooner, creating jobs and growing our economy. The bill will also increase the deduction's phase-out threshold from \$50,000 to \$120,000. These dollar amounts will be adjusted for inflation; and
- Extend the start-up tax deduction to organizational expenditures and ensure businesses can benefit regardless if they are organized as a corporation, partnership or sole proprietorship.

The Support Our Start-Ups Act is supported by Small Business & Entrepreneurship Council, Main Street Alliance, and Engine. Startup Wisconsin, Wisconsin Women's Business Initiative Corporation, Gener8tor and Red Letter Grant also support the legislation.

¹ <https://indicators.kauffman.org/state/wisconsin>