



Subject Line: Series D.C.: Tax Reform Season, Our Court Date & New Drone Policy

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The 411 on the 202

First Things First

The Republican's plan for tax reform inched one-step closer to reality this week when the House yesterday passed the Senate budget, unlocking the procedural power for Senate Republicans to pass a tax reform plan with a simple majority vote. Looking ahead, here are the pivotal next steps we're watching:

November 1st: Introduction of House tax reform bill. This will be the first sign of where we stand on our core issues, including carried interest capital gains, Qualified Small Business Stock rules and the capital gains rate.

Week of November 6th: House Ways & Means Committee markup of tax reform legislation

Week of November 13th: House floor action on tax reform legislation

As noted above, the House is expected to release their bill next week, teeing up potential House committee action shortly thereafter. Throughout the week, NVCA's policy team has been teaming up with our allies in town to meet with Ways & Means Committee Members

and reiterate our message that [tax reform should encourage new company formation](#).

Justin predicted earlier this week that we are moving from pre-season to regular season fairly quickly, and with the House budget passage yesterday, it's safe to say we are now officially in tax reform season.

Be on the lookout for updates and analysis throughout this process as the NVCA team works to ensure the voice of the ecosystem is heard.

Our Day in Court on Immigration Case

In September, we filed a lawsuit against the Department of Homeland Security (DHS) after it delayed (and indicated it would likely rescind) the International Entrepreneur Rule, which would allow foreign-born founders to remain in the U.S. for up to five years to grow a startup. Our lawsuit asserts DHS's actions are unlawful and in violation of established administrative procedures. Jeff is up [with a new blog post detailing](#) the state-of-play on the suit. Check it out to learn more about our awesome co-plaintiffs and some initial reaction from the judge in our case. We'd love to hear your feedback on the case. Shoot Jeff a line at jfarrah@nvca.org.

NVCA Joins Coalition to Require Disclosure of Material Short Positions

NVCA has been working with a coalition, which includes Nasdaq, New York Stock Exchange, and the Biotechnology Innovation Organization, to push for legislation that would require disclosure (within ten days of any short position) which exceeds 5% of the average reported weekly trading volume of an exchange-listed security. **This has been an issue for a number of previously venture-backed companies who complain about bear raids and information manipulation by entities shorting their stock in the public markets without having any idea who these entities are.** This is part of NVCA's larger effort to make the public markets welcoming to venture-backed companies again.

Another Senate Republican Trump Critic Announces Retirement

Senator Jeff Flake (R-AZ) has been a vocal critic of President Trump, having refused to endorse him during the presidential race and recently released a book called "Conscience of a Conservative: A Rejection of Destructive Politics and a Return to Principle." Flake

announced he would not seek re-election in 2018 in an [impassioned speech on Tuesday](#) that detailed criticism of President Trump. The announcement came after feuding publicly with the president for months. The spat contributed to a narrow path to victory for Flake, given that he faced a tough Republican primary and a formidable general election opponent. Flake doubled down on his speech [with an Op-Ed](#) in which he says: “There is a sickness in our system—and it is contagious.” This is a big loss, as Flake has been a champion of the venture industry, having introduced legislation to create a Startup Visa, which he discussed as a Keynote Speaker at NVCA’s 2017 Annual Meeting. Flake’s announcement comes less than a month after Senator Bob Corker (R-TN)—another prominent Republican critic of President Trump—announced that he would not stand for re-election. The announcements by Flake and Corker likely free up both senators to continue to voice concerns about the Trump Administration. Keep in mind that both will be in the Senate until January 2019 and are needed votes to help pass the Republican agenda in Congress. It will be interesting to see how cooperative either senator will be as President Trump tries to notch legislative wins.

Scrutiny over Chinese Investment Increases: The increase in Chinese deal making in the U.S. is spurring Congress to [propose tighter measures to restrict Chinese investments](#) that are increasingly viewed as threats to America’s national security. Lawmakers in Washington are moving to broaden the government’s authority to scrutinize overseas investment in the U.S. with bi-partisan legislation set to be proposed soon. **NVCA’s policy team is watching this legislation closely and working on Capitol Hill to make sure our voice is heard as changes are made in this area.**

DOJ Changes Gag-Order Policy

The Justice Department has [issued new guidelines](#) that ends the routine imposition of gag orders barring companies from telling customers that their email or other records have been turned over in response to legal demands. It also bans (in most cases) indefinite gag orders that forbid a company from ever telling users that their data has been searched. The move comes one and a half years after Microsoft sued DOJ, asking a judge to declare unconstitutional the specific portion of federal law that deals with delayed notice. Numerous large tech companies have sided with Microsoft in this case, including Apple,

Google, Dropbox, Amazon, and Salesforce, among others. In response to the new DOJ guidelines, [Microsoft said it will drop its lawsuit](#).

Capital Recap

Trump 'Retweets' Drones

A new pilot program [put forward by President Trump](#) on Wednesday could let Amazon, Google and other tech companies to partner with cities and states to more easily test commercial drones under conditions currently limited by federal law, including flights over people, nighttime operations, and flights of far greater distances and with packages. **The policy aims to speed up the arrival of more drones that can aid law enforcement, monitor crops, study traffic and more.** The executive memorandum would enable the Department of Transportation to establish these pilot programs in state and local communities for the next three years.

Hong Kong & Singapore Become Fintech Allies: Hong Kong and Singapore, which have vied for supremacy as financial technology hubs over the past couple of years, [have now decided to join forces](#). The cities' central banks have signed a fintech cooperation agreement that will foster collaboration on business referrals, joint innovation projects, information sharing and the exchange of expertise.

ACA Fix Continued

After hesitation from Republican leaders to support the bipartisan ACA agreement last week, a new Republican proposal emerged that would eliminate the law's individual mandate for five years and fund the cost-sharing reduction subsidies for two years. Providing some good news for the earlier bipartisan agreement, the non-partisan Congressional Budget Office predicted the bill would [save \\$3.8 billion over the next decade](#). A path forward for either approach is still unclear as Congress will be [focused on tax reform](#) in the coming weeks, but that's not to say discussions won't materialize again at the end of the year.

ITI Releases AI Principles: The Information Technology Industry Council (ITI), which represents numerous big tech companies, [released a list of AI policy principles](#) designed to act as a guide for companies and government agencies interested in the technology. In the guide, the industry group commits to promoting the responsible use and development of AI; supporting government R&D to foster innovation through incentives and funding; and cultivating public-private partnerships to promote democratized access to AI and new workforce training models.

#FollowFriday? Former FBI Director James Comey resurfaces on Twitter as [Reinhold Niebuhr](#).

Breakfast with FTC Acting Chairman Maureen Ohlhausen

NVCA partnered with Cooley on Thursday to host a fireside chat in Palo Alto with FTC Acting Chairman Maureen Ohlhausen to discuss data privacy, antitrust laws, consumer protection, and notable enforcement action the FTC has undertaken. Chairman Ohlhausen also addressed questions on blockchain, patent reform, and the U.S. in the context of global regulations, highlighting the role the FTC plays in policy issues important to startups in the venture ecosystem. **We were thrilled to work with Cooley on the event so the entrepreneurial ecosystem can understand how the FTC is thinking about startups. The FTC has emerged as one of the most important agencies in Washington for the technology sector.**

Factoid of the Week

Kauffman Foundation released its latest [Growth Entrepreneurship Index](#) last week—including a foreword from NVCA President & CEO Bobby Franklin—reporting that entrepreneurial business growth in the U.S. has increased, rebounding from the slump across industries and geographies that followed the Great Recession. On the metropolitan-area level, Washington, D.C. ranked highest, topping the table in one of the three metrics calculated: high-growth company density (306.8 high-growth companies per 100,000 employer businesses). The D.C. metro also scored high marks for rate of startup

growth (75.5%) and share of scaleups (2.30%). Rounding out the top five in the ranking, in order, were: Austin, Columbus, Nashville, and Atlanta.

2017 High-Growth Company Density Component of the Kauffman Index of Growth Entrepreneurship by Metropolitan Area



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