THE NATIONAL VENTURE CAPITAL ASSOCIATION'S 2025 POLICY PRIORITIES

American economic growth, innovation, and job creation requires fostering a vibrant entrepreneurial ecosystem through access to capital and the promotion of R&D and innovation.

Support Startups through Tax Policy

Startups thrive when they can invest in innovation without financial barriers. Startups should be able to reinvest capital quickly, fueling innovation and improving America's competitive edge. Policymakers should allow startups to **immediately deduct research and development (R&D) costs**, rather than amortizing them over years. And they should ensure startups can continue to **offset payroll with R&D credits**.

Entrepreneurs rely on access to capital to launch and grow their startups. Tax policies should drive long-term investment and **encourage "risk capital"** – investments by individuals and institutions that drive innovation and startup growth.

Preserving certain tax incentives and tax structures keeps funding accessible for startups. Policymakers should continue to support the **Qualified Small Business Stock (QSBS) benefit** and consider its expansion.

Policymakers should maintain current **capital gains tax rates**, oppose **taxes on unrealized gains** and support **carried interest** so that investors continue to fund the high-risk, high-reward, and long-term startup opportunities that are responsible for America's innovation engine.

To incentivize founders and employees to join the innovation economy, continue to **tax stock options and restricted stock units only when exercised**, not at vesting as has been proposed by some.

Expand Entrepreneurs' Access to Capital

Entrepreneurs often face barriers when accessing capital to scale their businesses. Legislators can make it easier for startups to receive necessary funding by supporting policies that promote more flexible capital structure. **The Developing and Empowering Our Aspiring Leader (DEAL) Act** was passed in the House of Representatives and introduced in the Senate during the 118th Congress. The Deal Act will increase access to capital for early-stage startups by modernizing the definition of venture capital fund for purposes of Securities and Exchange Commission (SEC) registration.

The proposed legislation would change the definition of qualifying investments, allowing VCs to invest in secondary sales and fund-of-fund investments – providing greater market liquidity, reducing risks, helping startup employees benefit from their equity compensation, and allowing investors to profitably exit and reinvest in new ventures.

Create Startup & Entrepreneur Visas for Global Competitiveness

Attracting top entrepreneurial talent from around the world is vital for maintaining an innovative startup ecosystem in the U.S. Reforms like creating a **Startup Visa**, sometimes called an **Entrepreneur Visa**, improving **STEM Visa processing**, and addressing **H-1B Visa** bottlenecks ensure that the best minds can come to the U.S. and start new ventures. A steady influx of skilled entrepreneurs and technical talent strengthens the innovation economy.

Protect IP & Encourage Innovation

Great ideas and powerful innovations are central to the startup ecosystem, with results in health and other sectors that benefit millions of Americans. Policymakers can protect innovators and their ideas by ensuring policy proposals encourage investment in breakthrough technologies and lifesaving cures. Policymakers should reduce the power of patent trolls and bring an end to **abusive patent litigation practices**.

Startups working in sectors like biotechnology and defense rely on the protections offered by public-private partnerships like the Bayh-Dole Act. Policymakers must defend against the regulatory overreach of march-in rights, which would deter investment in startup innovation by allowing the government to claim ownership of patented innovations. Startups thrive when they are secure in their intellectual property rights, encouraging further investment, which in turn drives new innovations.

Federal basic research at agencies such as NASA, the National Institutes of Health (NIH), the National Science Foundation (NSF), the Department of Energy (DOE), and the Department of Defense (DOD) focus on the nation's leading priorities and have been key drivers in America's innovation economy. Policymakers should commit to sustaining at least four percent annual growth in **funding basic research**. Maintaining investment in federal research programs will drive new technological advances.

To ensure the greatest number of Americans benefit from this research, policymakers should help these federally funded breakthroughs evolve into commercialized technology by strengthening initiatives like the **Small Business Innovation Research (SBIR)** and **Small Business Tech Transfer (STTR) programs.** Driving greater efficiency in the commercialization of these new technologies will fuel American economic competitiveness.

Build a Pro-entrepreneur Regulatory Environment

Acquisitions are a key exit strategy for startups. The acquisition of a startup by a larger company provides returns for investors who risked their capital and serves as an incentive for founders and employees to join the venture-fueled innovation economy. A healthy merger & acquisition (M&A) ecosystem also allows startups to scale and pivot in a competitive environment, promoting a nimble entrepreneurial landscape. Regulatory **interference in the M&A ecosystem can hinder startups' growth potential**. Agencies such as the Federal Trade Commission (FTC) and Department of Justice (DOJ) should ensure their proposals do not disincentive startups and the innovation economy through rules that would reduce startups' ability to be acquired.

In addition, capital markets regulation can either stifle the growth of the startup ecosystem or help it flourish. Policymakers should design capital market reforms to support small cap companies and those who finance them. To better support the innovation economy, policymakers should **exempt venture capital funds from unnecessary reporting requirements** and modify the **venture capital exemption definition** under the Investment Advisers Act.

Push Back Against Unnecessary Reporting Requirements

Treasury's FinCEN published two rules that would require registered investment advisers (RIAs) and exempt reporting advisers (ERAs) to adopt unnecessary and duplicative reporting requirements: the anti-money laundering (AML) rule (final rule implemented in September 2024) and the customer identification programs (CIP) rule (proposed rule released in May 2024). The rule reveals a fundamental misunderstanding of the role of venture capital investments, as investors transfer funds to VCs from financial institutions that are already subject to strict anti-money laundering regulations. NVCA challenges the need for these rules.

LEADING INNOVATION INDUSTRIES

Biotech & Healthcare

VC-backed biotech startups are seeking to address an incredible range of human health concerns, from Alzheimer's disease, to cancer, to autoimmune diseases and much more. When these startups are provided with a supportive regulatory landscape, they can more effectively deliver innovations that save and improve lives. Policymakers can accelerate the time to market for these critical medical innovations by streamlining **FDA approvals**, particularly for novel technologies, and easing the **reimbursement process** at the Center for Medicare and Medicaid (CMS).

Policymakers can ensure new innovations reach patients faster by fostering **public-private partnerships, bolstering grants, and creating opportunities with agencies** like the Advanced Research Projects Agency for Health (ARPA-H), the Biomedical Advanced Research and Development Authority (BARDA), the Congressionally Directed Medical Research Programs (CDMRP), and Small Business Innovation Research (SBIR) programs.

When investors are provided with greater certainty of a return on investment (ROI), startups seeking life-saving cures benefit through increased funding, which in turn speeds their research, development, and progress. As policymakers seek to lower the cost of prescription drugs, they should support proposals that recognize how **prescription drug reforms** impact early-stage investment in new medicine discovery. Policymakers should also address key investment disincentives in the Inflation Reduction Act (IRA) – correcting the **small molecules/biologic exclusivity equation** and expanding **orphan drug exclusivity**.

Climate

Climate tech startups are improving the range of electric vehicle batteries, making solar panels more efficient, removing carbon from the atmosphere, and attempting to build emissions-free fusion reactors. These start-ups thrive when the policy landscape encourages investment and scaling.

The Inflation Reduction Act (IRA) created and revitalized a range of climate programs to spur R&D, manufacturing, and deployment of clean technologies domestically. Now, policymakers can help by protecting the **IRA programs that directly support climate tech**. As startups seek to partner with DOE and other key agencies on implementation of IRA climate programs, policymakers should leverage NVCA as a resource on the value of emerging market landscapes and removing barriers to scale.

As startups strive to develop new ways to generate, store, and use energy, policymakers should also support sustained funding for the **Advanced Research Projects Agency-Energy** (ARPA-E). This initiative will grow existing programs and speed up processing times for eligible companies – driving climate technology commercialization.

Streamlining access to climate tax credits and enhancing carbon capture credits are critical for accelerating clean energy innovation, and policymakers should create a direct pay mechanism for IRA climate tax credits. Together, these policies will allow climate-focused startups to grow quickly and address pressing global challenges, providing new sources of energy and making others cleaner and more efficient.

Artificial Intelligence

AI is helping streamline developments in every sector. For example, in healthcare AI helps develop new medicines by solving protein folding problems, improve cancer screening accuracy, and more.

Policymakers should support **investment in AI R&D** to ensure the U.S. continues to lead the world in AI innovation. Startups at the forefront of AI need regulatory frameworks that promote innovation rather than stifling it. There should be **clear rules at the federal level**, rather than enacting a patchwork of inconsistent regulations which risks further fragmenting the regulatory landscape and driving AI innovation outside of our borders. **Startups should be protected** against efforts to hold AI model developers responsible for downstream effects. Clear guidelines that encourage responsible AI development will ensure AI innovation and investment continues to deliver beneficial and groundbreaking advancements.

National Security

America's warfighters deserve the very best tools and technology. While startups funded by venture capital are increasingly the source of such innovations, DOD's antiquated procurement system continues to favor the largest, incumbent military contractors. Policymakers must **modernize DOD's procurement process** to align with America's 21st Century industrial base and the rise of innovative startups in Defense Tech. Policymakers should reform and simplify the federal procurement process, increase incentives, and reduce barriers to bolster engagement with the private sector. Initiatives like the **Small Business Innovation Research (SBIR) program** are valuable and should be reauthorized and improved, allowing startups to contribute cutting-edge technologies to national defense.

SBIR's Phase III program should be formalized to combat the "valley of death" many companies face. As DOD fosters an environment that favors the nimblest innovators, startups will increasingly provide the necessary tools to America's frontline defenders.

Blockchain and Crypto

The emergence of digital assets, decentralized finance, and blockchain technology offers the opportunity to revolutionize and democratize aspects of finance, opening up new possibilities for financial products and services.

Policymakers should seek to create an environment that allows entrepreneurs and innovators the opportunity to fully experiment with the technology in the U.S. To do so, policymakers should strengthen **investor protection** while delivering a **clear regulatory** framework that will encourage U.S. leadership in innovation. This includes creating a regulatory framework for digital assets, like **the Financial Innovation and Technology for the 21st Century Act (FIT21)**, which was passed by the House of Representatives in the 118th Congress. FIT21 offered both robust consumer protections and worked to ensure America remains a hub for technological innovation.

Stablecoins are cryptocurrencies designed to maintain a steady value by pegging themselves to a reserve asset, often the U.S. dollar. NVCA should be considered a resource for the venture capital perspective as stablecoin regulation and legislation are prioritized and developed in 2025. Policymakers should create a **regulatory framework for stablecoins** that provides necessary consumer protections while allowing entrepreneurs to continue to innovate.