



TAX

WHY DOES IT MATTER FOR STARTUPS?

Startup founders, employees, and investors all stand to benefit from tax policies that incentivize investment, enable growth, and support people pursuing entrepreneurship. The One Big Beautiful Bill Act 2025 brought back important provisions for startups including, the return of immediate R&D expensing, expansion of Qualified Small Business Stock (QSBS) exemption and an increased child tax credit. These changes all serve to support the startup ecosystem.

On the other hand, complex, discriminatory tax frameworks discourage startup growth. For example, digital service taxes, which have been pursued across multiple states and in other countries, target the provision of low cost services on which startups rely. These taxes could result in increased costs, stretching a startup's already slim budget.

WHAT CAN POLICYMAKERS DO?

Important strides were made for startups within the OBBBA, but there are still areas of improvement. Policymakers should work to implement and extend provisions that help support startups including those that help startups stretch their funds further, enable entrepreneurship as a career pathway, allow startups to attract employees, and incentivize investment in startups. To help startups stretch their limited funds, policymakers should lower the overall tax burden for startups, including by preserving a low corporate rate and making the R&D tax credit more useful for startups. Congress should continue to raise the child tax credit and explore other tax incentives to help women founders and women in the workplace. Policymakers should also continue to focus on expanding existing benefits for startup investors and employees, like QSBS. Lawmakers could also explore other avenues to encourage investment such as a federal angel tax credit.

KEY TAKEAWAYS

- Providing tax benefits to investors, startup founders, and early employees can increase capital, talent, and opportunities for nascent companies.
- To help early stage founders and investors offset potential losses, policymakers should index the Small Business Stock Loss Deduction (Section 1244) for inflation to help encourage continued investment in startups.
- Policymakers can also consider new benefits to strengthen the startup ecosystem—for example by expanding QSBS exemptions or implementing a federal angel tax credit—to drive startup investment.



Startup Spotlight



Dapple

(Centennial, CO)

Gadalia Montoya Weinberg O'Bryan, Founder and CEO

Dapple Security challenges the current standard of multifactor authentication by utilizing responsible biometrics, creating a first-of-its-kind passwordless platform that better protects people and privacy.

“Expanding the R&D tax credit indefinitely would also help founders just starting. Legislation to remove the amortization requirement that recently went into place would be great. These are all different pathways for providing founders with options when it comes to access to capital which is incredibly important.”