



Growth Through Innovation

Innovation is central to human progress. It allows individuals to live longer, healthier, and more productive lives. It also allows Americans to experience economic success and prosperity and contributes to a strong national defense.

Under Democrats one party rule in Washington DC, the climate for innovation in the United States has never been worse. Democrat policies doubling down on regulation and more government have created an unfavorable environment for technology and innovation. This in turn limits economic growth – ultimately harming consumers and households. It also harms our national security – limiting our ability to meet the challenges posed by our enemies.

House Republicans understand that real long-term economic growth and a strong national defense is dependent on innovation.

Building a 21st Century Financial System

Advances in financial technology (Fintech) over the past several decades have led to positive changes in our financial system. For example, bank and nonbank financial partnerships have expedited the creation of lending and payment services that reach consumers in creative and more efficient ways. In fact, during the pandemic, fintech lenders provided support to minority owned small businesses at greater percentages through the Paycheck Protection Program. According to a New York Fed study, 82% of fintech approvals went to black customers, compared with 76% for white, 73% Hispanic and 72% for Asian employees.

Yet, Congressional Democrats fear financial innovation. Believing Americans are ill-equipped to understand technology and its advances, Democrats have worked to regulate financial technology out of existence. Federal regulations work to restrict access to affordable credit, which in turn hurts small businesses and consumers. Republicans, in contrast, will nurture Fintech and the relationships formed by financial institutions and third parties to help ensure innovation reaches those communities who need support the most.

Additionally, over the last decade, there has been an explosion in the development and use of digital assets. Digital assets and the underlying technology supporting it hold great promise in facilitating cheaper payments both at home and abroad for consumers. They also hold great promise to bring low-income communities into the financial system. Yet, this nascent industry has been plagued by regulatory uncertainty and turf battles. Republicans understand, consistent with the recent Supreme Court ruling in *West Virginia v. EPA* that Congress must establish a clear framework to nurture this industry – not unaccountable regulators.

Creating New Opportunities for Innovators and Entrepreneurs

Innovation requires an environment in which it can flourish. But it also needs risk-takers and entrepreneurs. It depends on the right allocation of capital, which is better determined by the private sector not the federal government. Finally, it needs a stable and predictable government to create clear rules of the road.

Ten years ago, a divided Congress came together to pass bipartisan legislation to help entrepreneurs and small businesses access capital. The bipartisan Jumpstart Our Business Startups Act of 2012 (Jobs Act) reduced regulatory barriers and created new opportunities in our securities laws to help entrepreneurs raise funds. The Jobs Act helped strengthen the U.S. capital markets beyond what they were ten years ago.



Growth Through Innovation

Yet, there is still work to be done. Unnecessary and costly regulatory burdens keep businesses and entrepreneurs from starting and expanding. This impacts our public markets and hurts the United States' competitiveness both at home and abroad. At same time, foreign markets like China continue to grow.

Republicans believe additional policies and reforms such as extending the IPO on-ramp; expanding well-known seasoned issuer (WKSI) eligibility; streamlining and clarifying the EGC public filing condition; clarifying EGC financial statement obligations to prevent aberrational results; permitting the auditor of a private company transitioning to public company status to comply with SEC and PCAOB independence rules; expanding protection for research reports to cover all securities of all issuers; and excluding qualified institutional buyers (QIBs) and institutional accredited investors from the record holder count for mandatory Exchange Act registration will help strengthen our public markets.

Republicans also support policies to increase investment opportunities for everyday American investors in our private markets. This is increasingly important as more high-growth companies seek to raise capital privately. We need to make our capital markets inclusive for all entrepreneurs and investors of all backgrounds. This includes modernizing the accredited investor definition; increasing access to investment opportunities for retail investors through closed-end funds; modifying the qualifying venture capital fund exemption under Section 3(c)(1) of the Investment Company Act of 1940; and expanding the scope of qualifying investments for venture capital funds; and creating a micro-offering exemption.

Incentivizing Innovation Through Targeted Tax Reform

Democrats continue to impose higher taxes on American families. As a result of President Biden's economy, Americans are taxed through higher prices, shrinking paychecks, and dwindling economic growth. In fact, inflation acts as a regressive tax harming those Americans who can least afford it. Republican tax policies will get America back on track.

Republicans will focus on giving every American family a bigger paycheck, and more financial security. Republicans will focus on policies that provide more tax relief, a simpler tax code, more retirement savings, and affordable school choice options for families. These include: permanent middle-class tax cuts (Rep. Schweikert); permanent doubling of the child tax credit (Rep. Jason Smith); expanded 529 savings plans to cover homeschooling and educational therapy (Rep. Jason Smith); additional middle-class tax relief, plus death tax relief for family-owned businesses and farms; expressing a Sense of Congress that at least 90 percent of Americans should receive the full benefit of tax deductions without going through the headache of itemizing deductions on complicated tax forms. Ways and Means Republicans have introduced legislation to make these and other GOP tax reforms a permanent part of the tax code (Buchanan).

In conjunction with tax relief for hardworking Americans, Republicans are focused on growing better American jobs. A stronger, broader job market will come from providing tax certainty to small businesses and startup businesses. It will make America the global innovation capital, by strengthening our "Best in the World" investment infrastructure. Republicans have introduced legislation to: make permanent the 20 percent Small Business Deduction (Rep. Jason Smith); expand startup business tax incentives (Rep. Buchanan); make the interest deduction equal to a full 30 percent of EBITDA accounting income (Rep. Adrian Smith); provide for a doubling of the R&D tax credit (the late Rep. Walorski); make permanent the expensing of R&D costs (Rep. Estes); provide new incentives to bring valuable intellectual property and related jobs back to the United States



Growth Through Innovation

(Rep. LaHood); and express a Sense of Congress that a global minimum tax must not make Americans less competitive or surrender our tax revenues to foreign governments.

Finally, Republicans will ensure Americans can access economic security and health protections through the tax code. Congressional Republicans will promote U.S. investment and move supply chains closer to home, safeguard security with American-made medicines and advanced medical manufacturing, and incentivize innovative start-ups and infectious disease research. This includes providing for permanent full expensing for investments in U.S. facilities and equipment (Rep. Arrington); providing new incentives for producing American-made medicines and critical medical supplies (Rep. Wenstrup); providing support for innovators developing infectious disease treatments (Rep. Buchanan); and providing for bonus R&D tax incentive for infectious disease research (Rep. Buchanan).