



December 15, 2023

Dear Chairman Kelly, Ranking Member Thompson, and members of the Tax Subcommittee of the House Committee on Ways and Means,

Engine is a non-profit technology policy, research, and advocacy organization that bridges the gap between policymakers and startups. Engine works with government and a community of thousands of high-technology, growth-oriented startups across the nation—many founded and led by women—to support the development of technology entrepreneurship through economic research, policy analysis, and advocacy on local and national issues. We want to thank you for holding a hearing on Tax Policies to Expand Economic Growth and Increase Prosperity for American Families.

Tax policy that supports families with working parents, especially working mothers, is integral to the startup ecosystem. Using the tax code to enable women, who often shoulder the majority of family care responsibilities, to pursue careers to support their families as employees and as entrepreneurs, helps make the U.S. innovation ecosystem dynamic and accessible to all. Women founded startups, while receiving less venture capital than their male-founded counterparts on average, generate more revenue over five years and a higher return on investment than startups founded by men.¹ These women are succeeding in spite of the significant obstacles stacked against them, from capital access barriers to the overwhelmingly high cost of child care. Permanently expanding the child tax credit (CTC) is a first step in dismantling roadblocks for women entrepreneurs as they support their families both in care and financially.

In September, 60 women founders and startup ecosystem members sent a letter to Congress, calling for Congress to permanently enhance the CTC. These innovative women from across the country need policies that allow them to continue to be trailblazers, solving global problems with novel approaches—and so they can afford to raise the next generation of innovators. As Dr. Burman said at the hearing, “investing in children pays higher returns than almost anything the government can do.” By expanding the CTC, would-be founders have a greater financial cushion to pursue entrepreneurship, and parents can better afford to feed, clothe and shelter their families, so healthy children can become healthy adults, growing the economy and innovation ecosystem.

Please see the attached letter calling for a permanent, expanded child tax credit. Year end is fast approaching and Congress has yet to address this measure and others, like expired child care stabilization funds, that would support mothers in the workforce.

Sincerely,
Engine Advocacy

¹ See attached letter.

September 15, 2023

Chairman Ron Wyden
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C., 20510

Ranking Member Mike Crapo
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C., 20510

Chairman Jason Smith
House Committee on Ways and Means
1139 Longworth House Office Building
Washington, D.C., 20515

Ranking Member Richard Neal
House Committee on Ways and Means
1129 Longworth House Office Building
Washington, D.C., 20515

Dear Chairmen Wyden and Smith and Ranking Members Crapo and Neal,

We represent women startup founders and startup ecosystem leaders spanning multiple industries in communities across the country. As women founders, the deck is already stacked against us. We face more hurdles accessing the capital we need, carry more student loan debt on average, remain underrepresented in STEM fields, and shoulder more family and childcare responsibilities than our male counterparts. We have miles to go before women will have achieved equity in the U.S. startup ecosystem, and policymakers must act. Congress can begin by addressing the financial burdens faced by thousands of women caregivers of children throughout the country through a permanent enhanced child tax credit (CTC) so that these women have more security and flexibility to be innovators.

The American Rescue Plan provided a historic boost to the child tax credit—increasing the amount of the credit and making it fully refundable, expanding access to low and no-income families. It importantly supported mothers, who in particular, shouldered additional burdens during and emerging from the pandemic. Many women were forced to scale back working hours, or worse, leave their jobs, to manage increased caregiving responsibilities.¹ But the enhanced child tax credit helped thousands of women with children afford food, secure childcare, and pay rent, and it affords parents the ability to work more and pursue better employment opportunities.²

For the startup ecosystem, the enhanced CTC supported and encouraged entrepreneurship and gave many people the added security they needed to found companies.³ According to research, 21.3 percent of CTC recipients were planning to launch a business or were already running a business.⁴ Self-employment increased amongst low-income families by

¹ Stephanie Hingtgen, *This Mother's Day, Congress can Support Mothers by Expanding the Child Tax Credit*, Center on Budget and Policy Priorities (May 5, 2022), <https://www.cbpp.org/blog/this-mothers-day-congress-can-support-mothers-by-expanding-child-tax-credit>.

² Carmen Reinicke, *With the Support of the Child Tax Credit, Some Parents Launched Businesses Last Year* (Feb. 19, 2022), <https://www.cnbc.com/2022/02/19/the-child-tax-credit-helped-some-parents-launch-businesses-last-year.html>.

³ *Id.*

⁴ Kelli Smith, *Expanded Child Tax Credit and Earned Income Tax Credit Boost Local Economies*, Economic Security Project (Nov. 3, 2022),

roughly 3 percent following the implementation of the enhanced benefit.⁵ This equates to thousands of new businesses created.⁶ But entrepreneurship is a risky business, one where women are already constantly having to work harder and longer for less. New founders often lack safety nets to support their families as they grow their startups and work to generate revenue. For entrepreneur parents, the enhanced CTC helped to lessen this burden.⁷

Women-run startups are exceedingly innovative and are more likely to be successful than their male-led counterparts when they receive the funding they need. While women-founded and co-founded startups receive less VC investment on average, they still perform better over time, generating more revenue over five years,⁸ and they generate a higher return on investment—35 percent higher—than startups founded by men.⁹ Women-led startups are also more likely to be job creators for other women—startups founded or co-founded by women hire 2.5 times more women than male-founded startups.¹⁰ In short, women founders and the startups they launch are good investments, but policymakers repeatedly and continuously fail to give us the support we need in the innovation ecosystem.

Policymakers should be doing everything in their power to dismantle barriers to entrepreneurship, including those created because women more often than not shoulder the responsibility of family caregiving. Implementing a permanent enhanced child tax credit is one step Congress can take to help ease the path to entrepreneurship for women, allow women of more socioeconomic backgrounds to pursue entrepreneurship, and provide the support children need so they can succeed in school and in their future careers.

Sincerely,

<https://economicsecurityproject.org/resource/how-expanded-tax-credits-boost-local-economies/#:~:text=The%20Child%20Tax%20Credit%20creates,freedom%20to%20take%20a%20risk>.

⁵ Reinicke, *supra* note 2.

⁶ See letter from business organizations:

<https://smallbusinessmajority.org/sites/default/files/policy-docs/BusinessOrganizations-Support-ChildTaxCredit.pdf>.

⁷ Gabrielle Bienasz, *How the New Child Tax Credit is Helping Parent Entrepreneurs*,

<https://www.inc.com/gabrielle-bienasz/child-tax-credit-parent-entrepreneurs.html>.

⁸ Katie Abouzahr, Matt Krentz, John Harthorne, and Frances Brooks Taplett, *Why Women-Owned Startups are a Better Bet* (June 6, 2018),

<https://www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet>.

⁹ *Female Founder Statistics*, Springboard Enterprises, <https://sb.co/female-founder-stats/>.

¹⁰ Collin West and Gopinath Sundaramurthy, *Women VCs Invest in up to 2x More Female Founders*, Kauffman Fellows (March 25, 2020),

<https://www.kauffmanfellows.org/journal/women-vcs-invest-in-up-to-2x-more-female-founders>.

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cc: Speaker Kevin McCarthy, Minority Leader Hakeem Jeffries, Majority Leader Charles Schumer, Minority Leader Mitch McConnell, and members of the House Committee on Ways and Means and Senate Finance Committee