



2023
Annual Report

Letter from the Executive Director

Engine launched twelve years ago, in what was a pivotal moment for Internet and technology policy: the defeat of two online copyright bills that would have dramatically reshaped how Internet companies handle user content. In the last twelve years, several of the policy fights seem to have stayed the same (check out our intermediary liability work on page 11 for proof), but the dynamics have changed dramatically. As the Internet industry, and a handful of Internet companies, grew, so did skepticism of the industry. That came with a willingness to change, or threaten to change, policy for wrongdoings—real and perceived—by some of the largest companies, despite the harm those changes might cause for the entire ecosystem.

But the principle that prompted Engine’s founding in 2012 remains more relevant than ever today: startups need a seat at the table when we talk about Internet, technology, and entrepreneurship policy. On a wide range of issues, as evidenced by the contents of this report, the perspective of the tech industry’s small businesses is relevant, unique, and necessary. You might not be able to tell based on who gets headlines in the D.C. press or who gets invited to testify at “blockbuster” hearings, but startups usually have the most—and sometimes the only real—skin in the game when it comes to the issues we advocate on.

As always, Engine is focused on advocacy that combines not just our quantitative analysis and policy expertise, but also startup founders’ real experiences. At the beginning of each year, we release an update to our policy framework, encapsulated in our [Startup Policy Playbook](#) and [Startup Policy Agenda](#). Our playbook is meant to be a one-stop-shop for startups looking to learn about tech, Internet, and entrepreneurship policy and how policymaking and advocacy work. The agenda is a high-level overview for policymakers and their staff of the wide range of issues that impact startups, and each issue page features a startup from somewhere across the country talking about that issue in their own words.

One significant change between Engine’s policy framework last year and this year is the specific call out of artificial intelligence issues. For Engine’s entire existence, we’ve had startups in our network developing and implementing AI models in all kinds of products and services, often in innocuous and behind-the-scenes ways. And we’ve tackled the wide range of policy issues that impact AI—everything from data access and privacy, to intellectual property, to liability for user developed content, and more—throughout. But as generative AI models caught the attention of the public and policymakers in 2023, more policy conversations are centered on a small set of AI use cases and a set of policy proposals that would have sweeping impacts, so we’re doubling down our efforts to interject the wide and diverse startup perspective into those conversations.

The sudden interest in AI was only one facet of what defined the startup policy landscape in 2023. The fall of Silicon Valley Bank, the increased state action on privacy and kids’ safety, changes in funding availability, multiple Supreme Court cases dealing with content moderation, and more all shifted, even subtly, how startups have to think about innovating and operating. As Engine’s small but mighty team of six head into 2024 with those policy conversations continuing and new ones on the horizon, we’re grateful to the startups, ecosystem organizations, and funders that make our work possible.

Kate Tummarello,
Executive Director, Engine



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GRASSROOTS:

Congressional Startup Day

Engine coordinated another successful year of Congressional Startup Day in August, bringing together dozens of startups with their members of Congress. This was our fifth year since revamping Congressional Startup Day in 2018 to make participation available to any Hill office that expresses interest, and this year felt like the first year since the pandemic that participants fully embraced in-person meetings, which are a great opportunity for things like product demonstration, roundtable discussions, and working space tours.

With the leadership of co-chairs Reps. [French Hill](#) (R-Ark.) and [Hillary Scholten](#) (D-Mich.), we successfully organized 18 meetings. As always, Congressional Startup Day is an exercise in not just connecting lawmakers with constituents, but growing Engine's network of startup advocates. This year, we worked with multiple community builders in local ecosystems across the country, including the Las Vegas Global Economic Alliance/StartupVegas, which [hosted](#) Rep. Susie Lee, and Hera Hub, a San Diego accelerator with whom we worked with to provide Rep. Peters a meeting with five innovative woman founders. See more examples [here](#), [here](#), [here](#), and [here](#). Like in past years, we got great feedback from participating startup and ecosystem support organizations, including appreciation for matching startup constituents with lawmakers who were personable, knowledgeable, and who sit on relevant committees to the issues impacting their startups.

Annual Fly-In

In May, Engine held our [annual fly-in](#), where eight startup founders from four states traveled to D.C. to urge Congress to pass a uniform, comprehensive federal data privacy law. The founders participated in a [panel discussion](#) about the impact of a patchwork of state privacy laws and the need for a federal privacy law, mingled with fellow tech policy professionals at our annual happy hour, and [met](#) with their members of Congress, key committee staff, and leadership in both chambers. The fly-in was the culmination of months of work, including releasing our [research](#) in March on the costs of varying state privacy laws and a letter from April with more than 60 startups calling on Congress to act.

#StartupsEverywhere

Throughout the year, Engine published our weekly profile series of a startup founder or startup ecosystem member from across the country. In 2023, we featured 33 companies and organizations in 19 states. While the Engine grassroots team is the driving force behind these weekly profiles, the entire organization benefits by getting to hear directly from a new-to-Engine startup founder every week about the problems their startup is working to solve, the barriers they've faced in the startup ecosystem, and the ways policy can make the road to entrepreneurship easier. The full list and map of #StartupsEverywhere profiles are [available here](#), but some of the ones that stand out from the year include Milwaukee, Wisconsin-based [The Way Out](#) (a platform focused on preventing recidivism by connecting justice-impacted seeking people who are looking for work and employers), Lander, Wyoming-based [Global Response Systems](#) (a platform for efficiently and securely transferring patient data across medical providers to improve patient care), Cleveland, Ohio-based [SweatID](#) (a company making armband sensors to help athletes train better using electrolyte and biomarker monitoring), and Lafayette, Louisiana-based [hampr](#) (a gig economy laundry startup that creates opportunities for people like stay-at-home parents, military spouses, and retirees to earn money while doing customers' laundry from their own home).

Startup Policy Seminars

In 2023, Engine continued our regular seminar series helping to educate startups on pressing policy issues that could impact them and ways to get involved in ongoing policy conversations. Generally, we select topics based on what policymakers are focused on, but also where we see the startup perspective as being particularly necessary to inform policy conversations. In January, we previewed a lot of the policy debates set to unfold over the year with our release of the [Startup Playbook](#). In June, we hosted [a seminar](#) on policy impacting workforce mobility, including proposed changes to non-compete and independent contract policies. In October, [our seminar](#) on policy proposals on kids' safety focused on how well intended legislation could require startups to collect more data from their users and could push startups to over-moderate user content. And in December, we held [our final seminar](#) for the year on how recent developments in trade policy could make it harder for U.S. startups to expand globally.

RESEARCH:

As always, Engine original research seeks to add to technology and innovation policy conversations by centering the startup perspective and letting startup founders explain the issues in their own words. In 2023, we released three research projects that did just that, touching on ongoing policy debates about acquisitions, privacy, and the interconnectedness of the technology ecosystem.

In January, we [published research](#) with the Computer and Communications Industry Association on the “Tools to Compete”—or the free and low cost services that startups are using to build their businesses and reach their customers. The report tells the story of how a diverse and dynamic ecosystem of free and low-cost tools form the technology stack that virtually all startups with bootstrap budgets use to efficiently grow. By working together on this project, we were able to combine the quantitative deep dive that CCIA had done on cost savings with a survey of Engine’s network of startups as well as some narrative storytelling about how those cost savings helped startup founders launch and scale their companies.

In March, we released [research](#)—made possible by research assistance from the University of Michigan Ford School of Public Policy Program in Practical Policy Engagement—on the impact of the growing patchwork of unique state data privacy laws on startups. Our research found that startups invest between \$100,000 to in excess of \$300,000 on privacy compliance, and compliance costs increase by between \$15,000 and \$60,000 for each additional privacy framework that startups encounter. That’s in comparison to the \$55,000 per month that the average seed-stage startup has to spend on all of its costs (according to our 2021 [research on the state of the startup ecosystem](#)). When we released the report, five states had enacted varying privacy laws, and another ten states passed comprehensive privacy laws in 2023, making the research about the costs of varying state laws even more relevant heading into 2024.

And in September, we released [Exits, Investment, and the Startup Experience: the Startup Voice on Acquisitions](#), an update to our research on the role acquisitions play in cycling capital and talent through startup ecosystems across the country, especially in places outside of traditional tech hubs like Silicon Valley and New York City. While [our 2022 report](#) on acquisitions combined a rigorous quantitative analysis with stories from startup founders, we expanded on that report in 2023 to include perspectives from more founders as well as investors and ecosystem support organizations.

SPECIAL PROJECTS:



Innovation For All

Last year was our second year into a two-year grant from the Marion Ewing Kauffman Foundation to support work advancing policies that would help startup founders from underrepresented communities—including Black founders, Indigenous founders, women, immigrants, rural founders, and more—succeed. Once every quarter for the duration of the grant, Engine hosts a roundtable of founders from a specific community to learn about the barriers members of that community have faced and brainstorm policy solutions to alleviate those barriers. The grant will conclude in June 2024 with a report and fly-in event where participating founders directly advocate for those policy solutions.

In 2023, we hosted four roundtables: the first with [immigrant founders](#) and investors, who discussed challenges they faced with the U.S. immigration system; the second with [LGBTQ+ founders](#) and startup leaders who talked about barriers they've faced in the startup ecosystem including accessing traditional networks and opportunities for capital, the third with [women founders](#), who discussed navigating predominantly male investor communities and disproportionate family care burdens; the fourth with founders from rural communities, who discussed difficulties accessing capital as well as the consequences of inadequate and inaccessible broadband.

Between the roundtables, we work with founders who have participated in our Innovation for All roundtables and survey to voice their concerns to policymakers who are tackling relevant issues.

- Following a related hearing in February, we worked with RAVN founder Tani Chambers to [submit a letter](#) for the record to the House Financial Services Committee discussing how the definition of accredited investor—and attempts to narrow the definition—keeps would-be investors from underrepresented communities out of the startup ecosystem, creating fewer opportunities for underrepresented founders to get needed funding.
- In May, we worked with Inspirit founder Aditya Vishwanath to [submit a letter](#) to the Senate Commerce Committee about the role of universal broadband—especially in schools and libraries through the E-Rate program—in making the startup ecosystem more equitable and closing the digital divide and the skills gap.
- In July, we worked with Carter Malloy, founder of Fayetteville, Arkansas-based AcreTrader to submit a [statement](#) for the record to the House Small Business Committee on the challenges faced by rural founders ahead of a related hearing.
- In August, following a Senate Small Business Committee hearing exploring the barriers to entrepreneurship that women founders face, we worked with [Kathryn Rose](#), founder of Framingham, Massachusetts-based wiseHer, to submit a statement for the record discussing her own journey to entrepreneurship. (We also submitted [a statement for the record](#) for that hearing.)

And finally, we worked throughout the year with founders to place op-ed pieces in local and community- and industry-specific publications stressing the need for policy to support underrepresented founders.

- Starting in January, we worked with Productions.com founder Carolyn Pitt to place an [op-ed](#) in BLAC Atlanta about the difficult path Black women founders face in trying to access capital.

- As part of Women’s History Month in March, we worked with a founder in our network—Lauren Marturano, founder and CEO of Charlotte, N.C.-based Zinnia—to publish [an op-ed](#) highlighting the importance of lifting up and supporting women startup founders, including through public policy.
- In July, we worked with RAVN founder Tani Chambers to publish [an op-ed](#) in Technical.ly about the role of early stage investment in startups and how the definition of accredited investor could be expanded to include investors from underrepresented communities, leading to funding opportunities for more startup founders.
- In September, as Congress faced multiple deadlines dealing with child care costs, we co-authored [an op-ed](#) in The Hill with Motherly founder Liz Tenety about the need for Congress to permanently expand the child tax credit and pass legislation to avert the pending child care cliff, both of which would help women founders participate fully in the startup ecosystem.
- In December, we worked with Courtroom5 founder Sonja Ebron to have [an op-ed](#) published in The Charlotte Post discussing recent legal attacks on programs and resources for underrepresented founders, including the lawsuit against Fearless Fund, which supports Black women founders.



Digital Entrepreneur Project:

Following the launch of our [Digital Entrepreneur Project](#)—our attempt to center creators, sellers, storytellers and anyone else who uses the Internet to find an audience and grow a business in Internet policy conversations—we’ve been steadily adding to our network of digital entrepreneurs across the country. In January, we worked with 18 of those digital entrepreneurs, as well as the Authors Alliance, to [submit an amicus brief](#) to the Supreme Court as it considered *Gonzalez v. Google*. The brief included stories—including from musicians, doctors, educators, and more—highlighting the ways that Internet platforms, and their ability to use algorithms to recommend relevant content to users, help creators find their audience.

POLICY WORK:



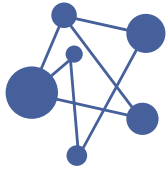
Access to Capital

There are a lot of policy levers that can be pulled to change how and whether startups are able to access the capital they need to launch and grow. At the same time, unlike a lot of other policy areas that Engine works on, most policy conversations impacting access to capital don't involve the traditional large industry players and don't get the same level of attention. That means the perspective of startups is not only particularly relevant but also unlikely to be echoed by others, and Engine dedicates a significant amount of time and energy to these policy debates.

One of the major threads of the debate around policies impacting access to capital in 2023 was the failure of Silicon Valley Bank in March. In the short term, startup founders needed policymakers to step in and ensure their deposits would be available for things like payroll. But in the long term, the startup ecosystem needs policymakers to avoid overreacting with things like capital requirements that make banks less able to cater to startups' unique financial situations and needs. In addition to our short term work centering the needs of startups across the country as Silicon Valley Bank was put into receivership, we published [a great explainer](#) of what happened, why it matters, and what policymakers should do next, informed by many conversations with founders. We made similar points to the House Small Business Committee in a [statement for the record](#) in September reiterating the importance of credit access for startups and warning against policy changes that will make it harder for smaller and niche banks to continue operating.

Throughout the year, we amplified the startup perspective in the traditional and ongoing financial services policy conversations, including organizing [a letter](#) with 100 signatures from members of the startup ecosystem in 36 states urging the House Financial Services Committee to advance legislation that would expand the accredited investor definition to make it easier for more people to invest in early stage startups. Along the same lines, Engine sent [a letter of support](#) to the same committee as it considered the Helping Angels Lead Our Start-Ups Act Act, which would reduce regulatory barriers for startups participation in pitch competitions and demo days.

Finally, we dug deeply into the relationship between startups' ability to access capital and policies that make eventual startup exits more difficult. As discussed above, we updated our research on the role of acquisitions in the startup ecosystem, and we flagged the quantitative analysis as well as the startup stories as policymakers considered changes that would make acquisitions more difficult, time consuming, and expensive. The first was in [comments](#) to the Federal Trade Commission and the Department of Justice on proposed merger guidelines, and the second was in [comments](#) to the Federal Trade Commission on proposed changes that would significantly increase administrative burdens associated with acquisitions. We also worked with Steven Cox—the founder of Microsoft-acquired startup TakeLessons—to write [an op-ed](#) discussing his acquisition experience and warning policymakers against making acquisitions more difficult because “[f]ewer acquisitions will lead to less capital for startups, less competition, and ultimately, fewer startups.”



Artificial Intelligence

Artificial intelligence captured the imagination of the public and policymakers in 2023, though nearly all of the conversations were focused on generative AI models developed either by or with the backing of large technology companies. Startups in our network have been developing and using AI in their products and services for the better part of a decade—in innocuous, diverse, and innovative ways—so we took every opportunity to remind policymakers that startups and their AI-based products and services should be front of mind, especially if policymakers are considering proposals that would make it more expensive and difficult to develop and implement AI.

Throughout the year, we engaged with federal policymakers in Congress and several administrative agencies, encouraging them to pursue balanced frameworks that foster startup innovation and competition and are mindful of the resource limitations that startups inherently face. That included [a letter](#) with other technology and small business groups to Congressional leadership in June, [comments](#) to the White House Office of Science and Technology Policy’s request for comment on a National AI Strategy, and [comments](#) in response to the National Telecommunication and Information Administration’s request for information about responsibly regulating AI.

We also weighed in with similar points when the Copyright Office posed questions about how copyright law should apply to AI broadly and generative AI specifically. In [our comments](#), we stressed the breadth and diversity of the AI ecosystem, which goes far beyond the handful of generative AI companies that dominate the headlines, and warned against legal and regulatory frameworks that make it difficult and expensive for startups to innovate and compete. We also filed [reply comments](#) specifically pointing out how licensing requirements would hurt—not help—competition and startups in the AI space, despite initial comments to the contrary, including from the Federal Trade Commission.

And throughout the year we kept the startups in our network apprised of the quickly evolving and multifaceted AI policy conversations happening through regular updates on our blog. Two great examples are our [deep dive blog post](#) on how AI policy will impact startups and our [examination](#) of the Biden administration’s executive order on AI.



Connectivity

This past year saw the return of several policy conversations related to net neutrality, or the principle that Internet service providers (ISPs) shouldn’t block or throttle lawful online content or charge Internet companies, including startups, for better access to users.

In Europe, the debate resurfaced over the summer, when the European Parliament voted in favor of a “sender pays” policy framework that would let ISPs charge Internet companies additional fees for the Internet traffic their users generate. This framework would violate the open Internet principles that have allowed the global startup ecosystem to flourish and would force startups—who already pay ISPs for Internet access—to pay ISPs to deliver their content to the users who are requesting it. We explained why this would harm startups that have users in Europe, including U.S. startups, in [a deep dive blog post](#).

Here in the U.S. the Federal Communications Commission—after years of facing partisan gridlock—kicked off a proceeding to reinstate strong net neutrality protections that will prohibit ISPs from blocking, throttling, and paid prioritization. As we did when the FCC first started to write similar rules in 2014 and again when the FCC repealed those rules in 2017, Engine weighed in citing the need for net neutrality protections to keep the Internet a level playing field for startups. [Our comments](#) pointed to the strong support for net neutrality protections in the startup ecosystem, including over a thousand ecosystem members opposing the 2017 repeal and dozens of investors telling the agency that they invested, in part, because strong net neutrality protections meant ISPs couldn't discriminate against traffic from their portfolio companies.



Intellectual Property

In addition to the work related to copyright and artificial intelligence discussed above, we engaged with the Patent and Trademark Office throughout the year to encourage the agency to pursue policies that promote patent quality and to consider all startups—even those that don't hold patents themselves—as key stakeholders in the Office's work. We began the year by submitting [detailed comments](#) on the PTO's draft strategic plan, emphasizing that the agency needs to support all innovators, creators, and entrepreneurs—instead of just focusing on patent owners and trademark registrants. Throughout the comments we highlighted stories and experiences from startups, smaller online platforms, and digital entrepreneurs. (Our comments are also summarized in [this blog post](#).)

And we weighed in specifically on how the PTO's processes around examination and discretionary denial of patent challenges should be altered to best promote high quality patents and prevent or remove low quality patents that are easily weaponized against startups. In February we filed [comments](#) on proposed patent examination initiatives aimed at improving patent quality, and we highlighted the positive impact such new initiatives could have on the startup ecosystem. Those initiatives include giving examiners more time to review applications, making it easier to find relevant prior art, and working to create more clarity around the scope and disclosure of issued patents. Then in June, we filed [comments](#) in response to the PTO's proposed rules on discretionary denials, which could make it harder for startups and others to challenge low quality patents at the Patent Trial and Appeals Board. Echoing the points we made earlier in the proceeding, we explained how valuable the PTAB is for startups, both directly and indirectly.



Intermediary Liability

Intermediary liability frameworks—especially Section 230—continued to dominate Internet policy conversations in 2023. As with everything we work on, we tried to interject into those conversations the perspectives of the many and diverse startups that host and moderate user generated content and therefore rely on Section 230. On and off of Capitol Hill, one of the main threads of the Section 230 debate was about children's online safety and the role Internet platforms should play in proactively identifying young users and then scanning and filtering content before it reaches those young users.

In addition to weighing in on these questions throughout the year—including in [a letter](#) to the Senate Commerce Committee, which advanced two related bills—we [filed comments](#) in November with the National Telecommunications and Information Administration about the role online communities—and the platforms that facilitate them—can play for young Internet users, especially

those in marginalized and underrepresented communities. Our comments also focused on the realities and inherent difficulties of content moderation at scale and explain why a one-size-fits-all approach to preventing young users from seeing “harmful” content wouldn’t work for a wide spectrum of companies, communities, and contexts.

We also weighed in on the value of intermediary liability frameworks multiple times in front of the Supreme Court in 2023. In January, we signed onto [an amicus brief](#) in *Gonzalez v. Google* discussing the role of Section 230 in enabling small, innovative platforms to host, moderate, and recommend content without fear of ruinous lawsuits. In December, we authored [an amicus brief](#) supporting the challenges of the Texas and Florida social media laws. While those laws have thresholds that exempt startups, we explained in the brief that laws aimed at larger companies that create significant compliance burdens—including through transparency and appeals requirements as well as through limitations on how platforms can moderate content—factor into startups decision making as they plan for growth. The brief also discusses the importance of platforms, especially small and niche platforms, having the ability to host and curate user content to keep their corners of the Internet safe, healthy, and relevant for their users.

And we returned to video games to try to drive some of these points home. Building off of the success of our first video game—[Startup Trail](#), released in April 2022—we released [Moderator Mayhem](#), a video game that puts players in the shoes of content moderators at a startup, in May. Unlike *Startup Trail*, which is a more immersive game with multiple metrics and objectives, *Moderator Mayhem* is all about deciding whether hypothetical pieces of user generated content should stay on a startup’s platform or not. We got great feedback from the game, including at our [launch event](#) on Capitol Hill, [in the press](#), and through a survey at the end of the game, including players appreciating how complicated it is to write rules and laws about content moderation.



Privacy

This past year saw continued conversations about the need for a federal privacy framework, as more states passed and implemented their own privacy laws that continue to build a costly compliance patchwork for startups to navigate. As discussed above, we released research putting dollar figures to those costs, and we held our annual fly in on the issue in 2023. But we used several other opportunities throughout the year to call attention to the startup perspective on privacy. Ahead of our fly-in, we organized a letter signed by [more than 60 startups](#) from 26 states calling on Congress to pass a uniform federal privacy law.

We also [submitted comments](#) to the National Telecommunications and Information Administration highlighting the need for a federal privacy framework to establish clear rules of the road for startups, including those that look to serve gaps in the market for historically underserved communities. The comments were in response to the agency’s request for comment on privacy, equity, and civil rights and underscored the experiences of many underrepresented founders creating specific, needed innovations for their communities.

And we elevated the startup voice in the press. We worked with Camila Lopez—a Florida-based startup founder—to write and publish [an op-ed](#) about how the current patchwork of state-by-state privacy laws hinders innovation for companies like hers, and why it’s crucial for policymakers to pass a uniform federal privacy law.



Talent

The end of 2022 and duration of 2023 saw a lot of federal activity impacting worker mobility and flexibility, both of which impact startups' ability to hire necessary talent as they scale. At the very end of 2022, we filed [comments](#) with the Department of Labor, as well as [a letter](#) from startups and ecosystem members, warning that a proposed change to the way independent contractors are classified would make it harder for startups to hire the flexible talent they need as they grow. Startups encounter varying workloads and talent needs as they scale, and the ability to hire independent contractors allows companies on bootstrap budgets and with limited time and resources to parse complex regulations to get those talent needs met. We reiterated those points in a [statement for the record](#) to the House Small Business Committee in October.

On the other hand, we applauded the Federal Trade Commission's proposal to significantly limit non compete agreements, which can lock up startup talent and prevent would-be founders from launching new companies. In our [comments](#), we argued that overbroad non compete agreements stifle innovation, prevent talent mobility, and hinder startup formation.

We also interjected the startup perspective into ongoing immigration policy conversations in 2023. Early in the year, we filed [comments](#) to U.S. Citizenship and Immigration Services on proposed visa fee increases, encouraging the agency to consider the impact the increases will have on startups, the vast majority of which already have trouble accessing the immigration system to fill open and much-needed technical roles. And in December we provided [substantive comments](#) to the agency on proposed changes to the H-1B process, including supporting a clarification that startup founders with controlling interest can benefit from the H-1B program and supporting a change to allow H-1B holders to perform duties that are critical to startup activity but fall outside of their "speciality occupation." The comments also raised concerns about some of the proposed changes, including redefining "speciality occupation" to include narrower degree qualifications, which could underestimate the value of interdisciplinary backgrounds and work experience. We made similar points at a high level in [a letter](#) that we organized to USCIS that was signed by more than 20 startups and ecosystem support organizations.



Tax

The last year saw the effects of ending two tax treatments that significantly helped startup founders and women startup founders, specifically, and Engine advocated throughout the year to restore those tax treatments for the benefit of the startup ecosystem. The first was an end to immediate expensing of research and development costs, which was written into a 2017 tax law but didn't go into effect until 2023, meaning startups saw higher tax bills for the first time at the beginning of the year. In June, we organized [a letter](#) to Congress calling for a return to immediate expensing for R&D costs that was signed by 66 startups from over two dozen states. The letter was entered into the record for several hearings that touched on the issue throughout the year and received press coverage for its focus on how the change impacts small technology companies specifically.

The second major change in tax law was the 2022 expiration of the expanded child tax credit, which helped working parents generally—and entrepreneurs who are mothers, specifically—offset child

care costs. In September, we organized [a letter](#) from 60 women startup founders and leaders in the startup ecosystem calling on Congress to permanently expand the child tax credit, which had given women founders a financial safety net to pursue entrepreneurship and afford child care.

The other major tax issue that we worked on throughout the year was the increased threat of digital service taxes, or taxes by U.S. states and governments abroad on digital tools, including many of the low-cost products and services that startups rely on to launch and scale their companies. As the Organization for Economic Cooperation and Development process crafting a global tax deal is drawn out, some countries have moved ahead with digital service taxes targeting U.S. tech companies. We weighed on the OECD process multiple times, including in January when we submitted [comments](#) explaining how discriminatory taxes on digital services, even those aimed at a specific set of large, U.S. companies, create direct and indirect costs for startups. We reiterated these concerns in [comments](#) to the Treasury Department in December, urging policymakers to work towards adopting a global tax framework that preempts foreign governments' attempts at digital service taxes. We also submitted [comments](#) to the Canadian government on its proposed digital services tax, arguing that it will harm startups, especially as many look to the Canadian market as they grow.



Trade

The need for strong digital trade agreements that support U.S. startup expansion abroad was put into the spotlight in late 2023, when the U.S. Trade Representative's decision to withdraw support for key digital trade provisions at the World Trade Organization. While that move was widely criticized by bipartisan lawmakers and industry players of all types and sizes, we honed in on the way opening the door for foreign countries to create trade barriers for U.S. tech companies will impact startups specifically. In [a letter](#) to USTR in October, we urged the administration to reverse course and highlighted the startups in our network that are impacted by digital trade policy. The letter echoed similar pleas we made to policymakers throughout the year, including in [statements for the record](#) following hearings before the Senate Finance and House Ways and Means Committees on the 2023 trade agenda, highlighting the need for strong digital trade provisions that support startups ability to succeed abroad.

Earlier in the year, we also [responded](#) to USTR's request for comment on advancing inclusive trade policy, highlighting ways to help more U.S. startups led by a more inclusive group of founders succeed internationally. By lowering common barriers to trade encountered by startups—especially those led by underrepresented founders that [have fewer resources](#)—trade policy can include more people and parts of the economy.



All of the work detailed in this report is made possible by the generous support of our funders. Specifically, the following donors have recently provided significant support of \$10,000 or more to further Engine's efforts to create a seat at the table for startups in policy conversations: Amazon, the Consumer Technology Association, Google, the Marion Ewing Kauffman Foundation, Meta, Pinterest, Reddit, and the Stand Together Foundation.

Engine is a 501(c)(3)/(4) non-profit and operates independent of its funders, and its policy work is guided by ongoing conversations with startups in the network. Our work is made possible by the startup founders in our network who share their limited time and energy with us in pursuit of a policy environment that fosters a successful startup ecosystem. Whether it's discussing their entrepreneurship journeys through #StartupsEverywhere profiles, taking our surveys, signing our letters, filing comments, writing op-eds, or flying to D.C. to participate in our events, the Engine team is incredibly grateful for their generosity, and we're constantly inspired by their optimism, creativity, and tenacity. The work we do wouldn't be possible—or worth doing—without them.
