The PROGRESS Act

Female entrepreneurs continue to face endemic barriers to accessing funding. Male entrepreneurs, on average, start their businesses with nearly twice as much capital, and are more likely to obtain a bank loan for their business in the first three years. The numbers are even worse when considering only third-party capital. In 2018, only 2.3 percent of venture capital funding went to companies founded solely by women. Latinx and black women have raised only 0.32% and 0.0006% of venture capital funding over the past decade. Simply put, women, particularly women of color, are underrepresented, underestimated, and undercapitalized. This lack of capital has limited the ability of women entrepreneurs to grow their businesses. Despite staggering growth in the number of women-owned firms, they still only contribute 4 percent to overall business revenues, a figure that has not changed in 20 years.

Many existing tax expenditures are designed to benefit industries where women do not have a high presence, and the cost of certain tax incentives is overwhelmingly absorbed by those at income levels far above that of most female entrepreneurs. Data show that less than 12% percent of women-owned firms have annual receipts in excess of $100,000.

The Providing Real Opportunities for Growth to Rising Entrepreneurs for Sustained Success Act (the "PROGRESS Act") creates two new tax incentives to unlock the growth potential of these businesses.

First Employee Credit:

A new first employee credit will stimulate business growth and job creation.

- A credit equal to 25 percent of W-2 wages reported can be claimed annually, up to $10,000 in a single tax year, with a lifetime limit of $40,000.
- Because many businesses do not turn a profit in their early years, the first employee credit is creditable against the business' payroll tax liability.
- Certain businesses that have not reported full-time equivalent W-2 wages in a previous year are eligible for the credit.
- Eligible businesses must be majority owned by U.S. individual(s) that each earn $100,000 or less per year ($200,000 in the case of joint filers).

Investor Credit:

A new investment credit will encourage third-party capital investment and allow small businesses to grow and thrive.

- A credit of up to 50 percent of a qualified debt or equity investment can be claimed, up to $10,000 in a single tax year, with a lifetime limit of $50,000.
- Investors that fund certain businesses can use the credit to boost their rate of return.
- Eligible businesses must have at least 1 full-time equivalent employee and be majority owned by U.S. individual(s) that each earn $100,000 or less per year ($200,000 in the case of joint filers).