Providing Real Opportunities for Growth to Rising Entrepreneurs for Sustained Success (the "PROGRESS Act")

Owners of non-employer businesses are more diverse than employer firms. More than one-third of non-employer businesses are owned by people of color and more than four in ten are owned by women. Unfortunately, these businesses struggle to grow and face endemic barriers to accessing funding.

On average, white business owners start with nearly 3 times the working capital of black-owned businesses. Male entrepreneurs, on average, start with nearly twice as much capital as female entrepreneurs. The numbers are even worse when considering only third-party capital. In 2023, only 2.2 percent of venture capital funding went to companies founded solely by women. This disparity is acutely felt by women of color who now account for 50 percent of all women-owned firms, yet received less than 1 percent of venture capital funding over the past decade.

Because of their size, their industry, or the way they are organized, many women-owned businesses can't take advantage of tax benefits designed for small businesses. Simply put, minority and female entrepreneurs are underrepresented, underestimated, and undercapitalized. This lack of capital has limited the ability of these entrepreneurs to grow their businesses.

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).