



# HOW IRS SECTION 174 THREATENS AMERICA'S MOST INNOVATIVE SMALL BUSINESS

Case Studies

Stories from small business across the United States  
devastated by the "Innovation Tax"

November 2023



Eva Garland Consulting



## Executive Summary

The following innovators took enormous personal and professional risk to bring their ideas to life. They followed the rules, they competed for government support for their high-impact, high-risk visions, and they won. Indeed, together they achieved >\$100M in grants and contracts through the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, from Federal agencies including the NIH, DOD, DOE, and NSF. They used every dime of this support to hire scientists and engineers to advance their products and services. But as much as they beat the odds in developing groundbreaking products, these companies could not have anticipated the tax burden that now threatens their existence.

As part of the Tax Cuts and Jobs Act (TCJA) of 2017, an “Innovation Tax” was introduced that forces startups to pay taxes before they even have a positive cash flow. Contrary to the “near certain advice” of their advisors, accountants, tax attorneys, and even elected representatives, the 2017 TCJA has not been fixed. And now, this “Innovation Tax” is hitting home – literally. For the 70 years before TCJA, research funding was expensable in the year it was received. This policy is mirrored in nearly every other country in the world. In China, their permanent innovation super-deduction even provides a 200% deduction for R&D expenses. But here at home in America – where we pride ourselves as belonging to the world’s most innovative country – the leaders and innovators who took the risk and stepped into our innovation economy are now burdened – often personally – with millions of dollars in tax liabilities.

**Over 800 of our nation’s innovators have co-signed a letter to Congress, urging our leaders to fix the Innovation Tax.** A select set of stories from these co-signers are highlighted below. Some are already bankrupt. More will be soon if we can’t repeal this ill-conceived Innovation Tax. These are their stories...

**Eva Garland, Ph.D.**

CEO, Eva Garland Consulting

**Liz Powell, ESQ., MPH**

Founder & President, G2G Consulting

**Jake Reder, Ph.D.**

Cofounder & CEO, Celdara Medical

Director of New Ventures, Geisel School of Medicine at Dartmouth

Principal Investigator, DRIVEN Accelerator Hub

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# Alabama

## Letter to Congress Co-signers

G. Yancey Gillespie, PhD.	Chief Scientific Officer	Treovir, Inc.
Mark Froehlich	CEO	Analytical Ai

## Ernst and Young Economic Impact Estimate

### **Alabama:**

Will lose \$28,000,000 per year in R&D spending

Will lose \$40,000,000 per year in R&D-related wages

Will lose 471 highly compensated jobs

***Unless Section 174 is fixed.***

# Alaska

## Letter to Congress Co-signers

Kelly Drew, Ph.D.	CEO	Be Cool Pharmaceuticals
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## Ernst and Young Economic Impact Estimate

### **Alaska:**

Will lose \$1,000,000 per year in R&D spending

Will lose \$2,000,000 per year in R&D-related wages

Will lose 14 highly compensated jobs

***Unless Section 174 is fixed.***

Be Cool Pharmaceuticals LLC, *Fairbanks, AK*

**Kelly Drew, PhD**

CEO

Be Cool Pharmaceuticals LLC

Be Cool Pharmaceuticals is a small pharma, biotech company located in Fairbanks Alaska. The company develops technology to save lives and reduce disability caused by brain and spinal cord injury. The technology is inspired by the study of animals adapted to extreme environments found in Alaska and other Arctic regions. I am the founder and CEO of Be Cool.



**The innovation tax will put us out of business.** Please repeal this legislation.

*National Institutes of Health SBIR/STTR portfolio company.*

# Arizona

## Letter to Congress Co-signers

Doohwan Kim, Ph.D.	President and CEO	RTSync Corp
Oliver Graudejus, Ph.D.	Founder	BMSEED
Arno Merkle, Ph.D.	CEO and Co-founder	Crystal Sonic, Inc.
Kira Burns, MBA	Co-Founder & CEO	Gravitrex
Ed Ricci	CEO	OXbyEL Technologies, Inc.
Keith Stoneback	Managing Director	Lanesborough LLC
Collin Sellman, Ph.D.	CEO	Fireline Science
David M Jackson Ph.D.	CEO	Ceria Therapeutics, Inc.
Ken Liechty, MD	President and Founder	Ceria Therapeutics Zinc
Thomas C. Goodman, Ph.D., MBA	Investigator	Goodman Consulting Group, LLC
Bhaskar Banerjee, MD	CEO	Omniscient Imaging, Inc
Matthew H. Miller	CFO	Precision Epigenomics, Inc.
Wayne Symington, CPA	Managing Member	Wayne K Symington, LLC
Manpuneet Benipal	CEO	Advent Diamond, inc.
Peter Firth	CEO	Swift Coat, Inc

## Ernst and Young Economic Impact Estimate

### **Arizona:**

Will lose \$154,000,000 per year in R&D spending

Will lose \$220,000,000 per year in R&D-related wages

Will lose 2575 highly compensated jobs

***Unless Section 174 is fixed.***

## OXbyEL Technologies, Inc., Mesa, AZ

### **Ed Ricci**

President, CEO, And Co-Founder  
OXbyEL Technologies, Inc.



OXbyEL Technologies is a water treatment company trying to commercialize the electrochemical technology to destroy the harmful chemicals PFAS in water. PFAS is in the water of over 100M Americans is linked to cancer, organ dysfunction, and immunity system disorders. There is no destructive commercial technology currently available, merely filtration.

The 5-year amortization of our 2022 research credits has resulted in a \$120,000 negative delta for OXbyEL. Rather than receiving the benefit of our research, we have to pay \$40K in taxes. Our cash flow runway remaining is 3-4 months, so our situation is precarious. And now the tax bill! We may not be around to see the benefits of the amortized tax in future years.

OXbyEL has been funded through the National Science Foundation and USAF grants. Still, these monies are not tax exempt and this grant money is taxed at the rate of normal revenue. We are looking to eliminate one position to lower monthly costs to survive. OXbyEL currently has 4 employees.

*National Institutes of Health SBIR/STTR, National Science Foundation, and US Air Force portfolio company.*

# Arkansas

## Letter to Congress Co-signers

Laura P James, MD	Chief Medical Officer	Acetaminophen Toxicity Diagnostics, LLC
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## Ernst and Young Economic Impact Estimate

### **Arkansas:**

Will lose \$11,000,000 per year in R&D spending

Will lose \$16,000,000 per year in R&D-related wages

Will lose 185 highly compensated jobs

***Unless Section 174 is fixed.***

# California

## Letter to Congress Co-signers

Derek Greenfield	President	Industrial Microbes, Inc.
Sheryl Flynn PT, Ph.D.	CEO	Blue Marble Health
David L. Woods, Ph.D.	CEO and President	Neurobehavioral Systems, Inc
Sean J. Hartigan, J.D., M.P.P.	Treasurer and Corporate Secretary	Tendel Therapies Inc.
Mark A. Bernard, Ph.D.	President & CEO	Capienda Biotech LLC
Stuart Bussell, Ph.D.	President	Verpond, Inc.
Michael Santiago, Ph.D.	CEO	FloraPulse
Reen Wu	Emeritus Profesdor	UC Davis/EffectorBio Inc
Charles Eason	SBIR/STTR Consultant	Charles Eason
Guowen Ding	CEO	Labforinvention Corp
Keith Wycoff, Ph.D.	Vice President of Research	Planet Biotechnology Inc
Mandy Korpusik, Ph.D.	CEO	MealMate Inc.
Assad J Kazeminy, Ph.D.	Chariman	AJK Biopharmaceutical LLC.
Petra Wilder-Smith	CEO BitByte dental innovations	BitByte
Konstantin Kazarian, Ph.D.	CEO	Hybrid Biotherapeutics
Muhammad Mujeeb-U-Rahman	CEO	IMS inc.
Jeff Oliver, PhD	Head of Engineering	Neuroptics Inc
Jon Waataja	Director of Research	ReShape Lifesciences
William C Tang	Professor	University of California, Irvine
Alexander Gutierrez	Founder and CEO	L5 Automation
Alex Savtchenko, Ph.D.	CEO	Nanotools Bioscience
Elena Molokanova, Ph.D.	CEO	NeurANO Bioscience
Byron Ward	President	Wayfarer Aircraft Research & Development
Russ Lehrman, Ph.D.	CEO	BioSuperior Technology, Inc.
Don M Parker MBA, MBT	President & CEO	SonoFusion MD, Inc.
Ned Ahdoot	CEO	TRID System
Bruno Kajiyama	CEO	Photozig, Inc.
Uppili Sridhar, Ph.D.	CEO	Himet Materials LLC
Maxwell Goodman	President	Applied Physics Systems, Inc.

Melis Yilmaz Balban, Ph.D.	CEO	Neurosmart Inc.
Wayne Rickard	CEO	Terecircuits Corporation
Aynun Begum	CEO	NeyroblastGX LLC
Peymon Ghazi, Ph.D.	CEO	Malcova Inc.
Harry Garland, Ph.D.	Chairman	Garland Actuarial LLC
Laura Lynn Gonzalez	CEO	Dynamoid
Raj Bhargava	CEO	Waverley Creations Inc.
Thomas Smith	CEO	Auritec Pharmaceuticals
Robert Gellibolian, Ph.D	Founder & CEO	CollectGen, Inc.
Tuan Hoang	Executive Manager	Fluid Synchrony LLC
Sascha Lee, Ph.D., MBA	CEO	Senseer Health Inc.
Rachel Kuperman	CEO	Eysz
Piyush Sheth	Founder & CEO	K Medical LLC
Sandra Manosalvas-Kjono	Dr.	Aeromutable Corporation
Maricela Argueta	Lab Manager	UCR
Andrew Crofton, Ph.D.	CEO	Karamedica, Inc.
Daniel Tusé Ph.D.	CEO	GROW Biomedicine LLC
Allen Chang	Chief Technology Officer	Ananya Health
Yemi Onakunle	CEO	Mabswitch Inc
Christian Elliott	Founder and CEO	CareVirtue & Whiplash Technology, Inc.
Robert Bilhorn, Ph.D.	President	Direct Electron, LP
Fabio C. Tucci Ph.D.	COO	Epigen Biosciences Inc
Herb Sarnoff, MBA	CEO	Infixion Bioscience, Inc.
Mehran F. Moghaddam, Ph.D., MBA	CEO	OROX BioSciences, Inc.
Andrew Rudd, Ph.D.	CEO	Palm Therapeutics, Inc.
Darryl D'Lima, MD, Ph.D.	Chief Technical Officer Active4D	Professor Scripps Research
Walid Soussou, Ph.D.	CEO	Quantum Applied Science and Research (QUASAR)
Yury Miller, MD, Ph.D.	Co-founder and Chief Scientific Officer	Raft Pharmaceuticals
Prashant Khade	President	Ribo-Therapeutics llc
Beth Anne Baber, Ph.D. MBA	CEO	STORM Real World Health, Inc.
Linda Lloyd	COO	Stress Therapeutics, Inc.
Jonathan Irwin	Mentor	University of San Diego
Amy Duncan	Director, The Brink SBDC	University of San Diego
Scott Swarouth	CEO	Lavo Life Sciences Inc.
Zahra Hemmatian	CSO	MarWell Bio Inc.

Kitchener D. Wilson, MD, Ph.D.	CEO	Rosebud Biosciences Inc.
Terry Hogue	VP Medical Relations	Florica Therapeutics
Martin Kessler	COO	Shape (ShapeScale)
Hema Mandlekar	Founder & CEO	LumosFit Inc.
Jae Yoong Cho, PhD	CEO and President	Enertia Microsystems Inc.
Vivek Sharma	CEO	Asha Medical
Daniel Howard, Ph.D.	CEO	Quantum Energy, Inc.
Caryn Bradley Ph.D.	CEO	NeoCare Innovations Inc
Tamara Kuhn, M.A.	Vice President	DFUSION, INC.
Paul C Phillipsen	Chief Technology Officer	Fenix Space, Inc.
Farzad Ehsani	CEO	Innsightful, Inc.
Robert Batchko, Ph.D.	CEO	Holochip Corporation
Lili Kudo, Ph.D.	President	NeuroInDx
Hyeon J Kim	President	SNJ Pharma Inc
Ankur Bhatt	CEO	Hoverr Inc.
Gordon Mann	Owner	Mann Made Resources
Rito Sur	CEO	Indrio Technologies Inc
Ali Tasdighi Far	Founder and CEO	Ai Linear
Justin Kromelow	CEO	OPOS, Inc.
Dr. Christopher Barnes	Founder and CEO	Sunspan
Aadeel Akhtar, Ph.D.	Founder and CEO	PSYONIC
Jon PompA	President	Daring Engineering
Curtis G. Terwilliger, Ph.D.	President	Analectica, LLC
Larry Zeitlin, Ph.D.	President	Mapp Biopharmaceutical, Inc.
Gilberto DeSalvo, Ph.D.	CEO	Delphire Inc
David A. Feinberg, Ph.D., MD	Professor and CEO	UC Berkeley and Advanced MRI Technologies, LLC
Josef Kewekordes	President	AutoMate Scientific
Louis Haerle	President and CEO	Seacoast Science, Inc.
Steven Rees, Ph.D.	CEO	Defined Bioscience, Inc.
Cynthia Benjamin	Co-founder and Chief Strategy and Innovation Officer	Together Senior Health

### Ernst and Young Economic Impact Estimate

#### **California:**

Will lose \$3,434,000,000 per year in R&D spending  
 Will lose \$4,891,000,000 per year in R&D-related wages  
 Will lose 57415 highly compensated jobs

***Unless Section 174 is fixed.***

## Dynamoid LLC, Oakland, CA

**Laura Lynn Gonzales**  
CEO and Owner  
Dynamoid



I am the CEO and owner of a very small (i.e., 2 FT employees) science education software company based in Oakland, CA. For the last 4-5 years we have been building a platform for science communication using VR (think "Magic School Bus"). We have been bootstrapping development using profits from contract work, and in 2022, received an NIH SBIR/STTR grant for \$260,000, which took an enormous amount of effort in grant writing and administration. Our total revenue was somewhere north of \$400,000, and the majority of our expenses were software development and R&D-related activities.

**Unfortunately, with the changes to Section 174, because my company is an LLC taxed as an S-Corp, instead of a big tax refund due to a loss of \$30,000 on my Schedule K, I am now looking at a *personal tax bill of around \$100,000*.** To put things in perspective, I took a salary of ~\$100k in 2022 and have been surviving off of much less for the last few years (in the Bay Area, this is a lower-middle-class income level).

If these changes are not reversed, my only option is to negotiate a payment plan with the IRS where I would be paying well over \$1000/month for 5 years. I have an 18-month-old son, and this basically leaves us scrambling to figure out how to pay for childcare. And, what will we do in future years? I may have to just shut down the business, because even if we get to the magical 3-5 year mark where we break even, I will have a very difficult time growing the company beyond our current level of expenses.

*National Institutes of Health and National Science Foundation SBIR/STTR portfolio company.*

## iNFixion Bioscience, Inc., *San Diego, CA*

**Herb Sarnoff, MBA**

CEO

iNFixion Bioscience, Inc.



I am the CEO of a very small start-up company called Infixion Bioscience ([www.infixionbio.com](http://www.infixionbio.com)). We have a total of four people on staff (2 PhDs, a lab assistant and myself), all of whom are executing research to find a treatment for a rare disease called Neurofibromatosis (NF1) which impacts 1 in 3000 people in the U.S. (i.e., 120,000 Americans). All we do is R&D for this rare disease; nothing else. We have no products or services for sale, no customers, no customer income, etc. In 2022, our company was funded exclusively through the Federal NIH SBIR/STTR program, where we have received three Phase 1 SBIR/STTR grants from NINDS. We are doing solid research, have developed scientific tools to help other researchers, and are making solid progress toward understanding a new approach to developing a cure for NF1. In the case of my business, without the reversal of this Sec. 174 provision, Infixion likely will have to file for bankruptcy protection.

***...instead of paying zero tax on zero profit (per GAAP accounting principles), we will instead be liable for over \$84,000 in tax on the same zero profit. Unfortunately, Infixion does not have \$84,000 available to make this tax payment, leaving us little choice except to file bankruptcy at some point.***

In summary, the Tax Cut part of the TCJA will create \$84,630 in unexpected and unplanned tax liability, and the Jobs Act portion of the TCJA will (if this isn't fixed) likely result in job loss for the four people currently working to develop a treatment for this rare disease NF1. In addition, the almost \$2M that our company has received from the NIH and DoD to execute early-stage scientific work studying Neurofibromatosis, could easily become wasted if we have to stop our investigation abruptly and before completion (and documentation) of the key experiments. **Companies like Infixion are a key element of hope for this rare disease community in finding treatments, and Congress and the TCJA threatens to literally destroy our company with this change in tax code.**

*National Institutes of Health SBIR/STTR portfolio company.*

## Quantum Energy, Inc., *Santa Barbara, CA*

**Daniel Howard, PhD**  
Founder and CEO  
Quantum Energy, Inc.

As a startup that just made its first couple small sales, **we are relying on all our SBIR/STTR research funding to cover our most basic R&D expenses and will have zero dollars left over to pay taxes on R&D expenses.** This tax policy change will drastically stifle innovation and could be the nail in some startups' coffins.



*National Science Foundation SBIR/STTR portfolio company.*

## Malcova, Inc., Newark, CA

**Peymon Ghazi, PhD**  
Co-Founder and CEO  
Malcova, Inc.



We are a late seed stage startup, based in Newark, CA. We are developing a new imaging modality for early detection of breast cancer. This solution can potentially change the practice of breast cancer radiology. Breast cancer is the most common type of aggressive cancer, and the early detection of it, especially in women with dense breast tissue, is an unsolved problem. It goes without saying that there are significant positive societal and economic impacts if we manage to bring this solution to market.

We have been working on this solution for 3 years. Thanks to SBIRs received from NIH and NSF, we have substantially de-risked the technology - but still have a long way to go. Our solution is a class III device - our regulatory path is PMA. So, naturally, we are quite dependent on the SBIR grants to get us to the clinical trial stage. As a matter of good practice, in designing our budget for SBIRs, we try to maximize the requested fee, to account for the unexpected expenses. As you know, in R&D, unexpected events are the norm. By not hedging against these risks, we potentially jeopardize our entire operation. In other words, these expenses always show up when we are most vulnerable - financially speaking. Slapping up with a tax like section 174 takes away all of the requested fees, and then some. This is the money that can be spent on hiring engineers and scientists, purchasing new equipment, establishing collaborations with the universities, etc.

***Bottom line, by imposing these taxes, the congress is stifling the very innovation it funded to begin with - the innovation that solves the issue of dense breast imaging. The only thing that this tax code does, as far as I'm concerned, is to delay a solution to this problem.***

*National Institutes of Health and National Science Foundation SBIR/STTR portfolio company.*

## Siege Pharmaceuticals, Inc., Irvine, CA

**Alison McCracken, PhD**  
CEO and Principal Scientist  
Siege Pharmaceuticals, Inc



I am writing to share Siege Pharmaceuticals' experience following the implementation of the Tax Cuts and Jobs Act. At this stage, Siege is fully funded by NIH grants, including 5R44CA257568-02 from NCI, which was active in 2022. The significant changes to the Internal Revenue Code Section 174 mean that Siege's federal tax bill increased from \$0 in 2019-2021 to nearly \$15,000 in 2022 and 2023. The size of these bills means that, if we are truly liable for these taxes, the company will likely be forced into bankruptcy. It is especially frustrating that our only income is from the NIH, yet we cannot pay income tax using these funds.

After talking to many advisors, it has become clear that there is a great deal of confusion about how to apply this law and whether/when it might be revised by Congress. It would be extremely helpful to receive written guidance from the NIH and/or IRS on this matter as soon as possible.

Having written guidance to share with our accountants and tax preparers would go a long way towards resolving this confusion.

Thank you for your help with this issue. It is of great importance to me as it has placed the survival of this small business in jeopardy due to what is likely an unintended consequence of how this legislation was written.

*National Institutes of Health SBIR/STTR portfolio company.*

# Colorado

## Letter to Congress Co-signers

Richard Banduric	CEO	Field Propulsion Technologies Inc.
Steven K. Nordeen	Emeritus Professor co-founder	Lovanda Therapeutics
George Coxx	President and Chief Scientific Officer	Bolder BioTechnology, Inc.
Doug Bopp, Ph.D.	CEO	Vapor Cell Technologies
Maria Navas-Moreno, Ph.D.	CEO	illumifyDx
Jean Vieux	President/CEO	Applied Research Team, Inc.
Amir Torbati	COO	Impressio Inc.
Ryan Montes & NSF PI Awardee, Ph.D.	CEO & Co-Founder	MicroPure Genomics Inc.
Nathaniel Schub	COO	Parasite ID
Brian Schaible, Ph.D.	President/CEO	Sporian Microsystems, Inc.
Jim Pollock	CEO/Co-founder	LumenAstra Inc
Allison Adams	COO	Rocky Mountain Natural Labs LLC
Sara Jennings	CEO	Orion Labs LLC
Ken Tola	CEO	Bear Systems
Michael Glode	Professor Emeritus	University of Colorado
Shawn Zinnen Ph.D.	CEO	MBC Pharma
Richard Weir, PhD	President	Point Designs, LLC

## Ernst and Young Economic Impact Estimate

### **Colorado:**

Will lose \$115,000,000 per year in R&D spending

Will lose \$163,000,000 per year in R&D-related wages

Will lose 1922 highly compensated jobs

***Unless Section 174 is fixed.***

## LumenAstra, *Boulder, CO*

### **Jim Pollock**

Co-Founder and CEO  
LumenAstra



Our company worked closely with Eva Garland Consultant Brian Waters in our efforts that have resulted in an NSF Phase I and Phase II award along with a US ARMY Research SBIR/STTR Phase I and a grant from the State of Colorado.

This grant funding has allowed us to postpone raising outside capital while the terms are so egregious this past year.

However, that means **ALL of our funding is currently grants that have restrictions against being used for payment of income tax.** In our case, we will have \$500K of grant income this year that in any other year would be countered by \$500K of expenses for no profit and no tax liability. HOWEVER, if we have \$400K of engineering wages and \$100K of other expenses, we would only be able to deduct 20% of the \$400K of wages leaving us with \$320K of taxable “profit”. **We would need to pay about \$80K of taxes to Section 174. And we have NO funds that can be used to pay taxes.**

I know many companies similar to us that spun out of the Univ of Colorado with strong grant support that are next to us in a porous boat.

*National Science Foundation and Department of Defense SBIR/STTR portfolio company.*

# Connecticut

## Letter to Congress Co-signers

Tom Beach	President	Peening Technologies
Dennis Wright, Ph.D.	Co-founder	Quercus Molecular Design
Sandra Weller	Board of Trustees Distinguished Professor	University of Connecticut School of Medicine
Choukri Ben Mamoun, Ph.D.	Founder and Professor of Medicine	Curatix, LLC and Virtus Therapeutics Corporation
David Maass	President	Flightware, Inc.
Ambar Picon, ACRP-CP	VP of Corp/Clin Operations	OncoSynergy, Inc
Jane Bechtold, MS	Laboratory Manager	Cybrexa, Inc.
Delanea Davis	CEO	Cloud 9 Online LLC
Henry Edinger	Managing Partner	Experience Design International

## Ernst and Young Economic Impact Estimate

### **Connecticut:**

Will lose \$198,000,000 per year in R&D spending

Will lose \$283,000,000 per year in R&D-related wages

Will lose 3312 highly compensated jobs

***Unless Section 174 is fixed.***

# Delaware

## Letter to Congress Co-signers

Rishi Khan	President / CEO	Extreme Scale Solutions
Gregory Hutchings, Ph.D.	President	Lectrolyst LLC

## Ernst and Young Economic Impact Estimate

### **Delaware:**

Will lose \$47,000,000 per year in R&D spending

Will lose \$68,000,000 per year in R&D-related wages

Will lose 795 highly compensated jobs

***Unless Section 174 is fixed.***

# Florida

## Letter to Congress Co-signers

Bharat Gawande, Ph.D.	Founder & CEO	Aptus Biosciences, LLC
William D Hall Ph.D.	CEO	Triangulate Labs, Inc.
Matthew Feinsod, MD	CEO	F Square Medical LLC
Matthew Bellman, Ph.D.	Founder and Chief Technology Officer	MYOLYN, Inc.
Fahad Saeed, Ph.D.	Associate Professor	AI-NeoTech LLC
Scotty Jones	CEO	Sterile Geeks VR Inc
Bill Goodman, Ph.D., MBA	Founder and CTO	Goodman Technologies, LLC
David Liebold	President	Liebold Technologies, LLC
Sandra Rieger	CEO	Avantyx
Christopher Ochner, Ph.D., MBA	CEO	Modern Trials
Nelson Tabirian, Ph.D.	CEO	BEAM Engineering for Advanced Measurements Co.
Thomas Reilly, MD	CEO	Quantum Nanostim LLC
Gary Strange	CEO	MMD TECHNOLOGIES
Delia DeBuc	CEO	iScreen 2 Prevent LLC
Robert Vaughn	Director	AALMV
Vince Macri , LL.B, LL.M (IP)	CEO	NeuroJungle, LLC
Michael Francis, Ph.D.	CEO and Associate Professor	Asante Bio and University of South Florida
Richard A Carlisle	Founder and Managing Partner	Vulcan Technologies
Rafael Delgado	Director of Research and Development	Intelligent Hearing Systems Corp

## Ernst and Young Economic Impact Estimate

### **Florida:**

Will lose \$144,000,000 per year in R&D spending

Will lose \$205,000,000 per year in R&D-related wages

Will lose 2411 highly compensated jobs

***Unless Section 174 is fixed.***

# Georgia

## Letter to Congress Co-signers

Lori Yang, Ph.D.	CEO and CSO	Lectenz Bio
David Schwartz	President and CEO	2Market Information Inc.
Wade Rellergert	CEO	IonicScale LLC
Forrest Smith	CEO, Co-Founder	Kineon Inc
Jelena Vukasinovic, MSc.	Chief Executive Officer	Lena Biosciences
Matt Golden	CEO	MapHabit, Inc.
Jonathan Schwartz	CEO	OrthoPreserve LLC
Tyler Tatum	Principal	Ripple Technology, LLC
Jonathan Tucker, CPA	Principal	KBKG, Inc.
Anthony Kimani, MD, MBA	Co-Founder & Chief Medical Officer	Dreamscape Medical
Sheffie Robinson, MBA	CEO	Shamrck
Matt Golden	CEO	MAPHABIT INC
Eun Jung Choi, MD, Ph.D., MBA	CEO	Spave Science Inc.
Frank Tung, Ph.D.	CEO	GeneCure Biotechnologies
David F. Smith, Ph.D.	CEO	NatGlycan, LLC
Hamed Soroush	CEO	Teverra
Kevin McCully	President	InfraredRx, Inc

## Ernst and Young Economic Impact Estimate

### **Georgia:**

Will lose \$139,000,000 per year in R&D spending

Will lose \$198,000,000 per year in R&D-related wages

Will lose 2318 highly compensated jobs

***Unless Section 174 is fixed.***

# Hawaii

## Letter to Congress Co-signers

Rex Jakobovits, Ph.D.	President	Experiad LLC
James Roberts	CEO	WaiHome LLC

## Ernst and Young Economic Impact Estimate

### **Hawaii:**

Will lose \$4,000,000 per year in R&D spending

Will lose \$5,000,000 per year in R&D-related wages

Will lose 61 highly compensated jobs

***Unless Section 174 is fixed.***

# Idaho

## Letter to Congress Co-signers

Kjel Davison	Owner/Integration Engineer	Rapid Design Solutions
Ron Oberleitner	Principal Investigator and CEO	Caring Technologies, Inc.

## Ernst and Young Economic Impact Estimate

### **Idaho:**

Will lose \$45,000,000 per year in R&D spending

Will lose \$65,000,000 per year in R&D-related wages

Will lose 760 highly compensated jobs

***Unless Section 174 is fixed.***

# Illinois

## Letter to Congress Co-signers

Sanza T. Kazadi, Ph.D.	President and Founding CEO	Kazadi Enterprises Ltd.
Kevin O'Connor, Ph.D.	CEO	Caporus Technologies, Inc.
Rong Jiang	CEO	Energao, Inc.
Carolyn MacIver	CEO	Adaptive Health Co
Nick Sather, Ph.D.	CEO	Amphix Bio
Peter Farmakis	CEO	Covira
Amanda Schalk, Ph.D.	Co-founder & COO	Enzyme by Design Inc.
Alexandra Levit	Founder and CEO	Inspiration at Work
Christopher Nicholas, Ph.D.	Co-Founder and President	Lakril Technologies Corporation
Tyler Wanke, MD	CEO	Madison Scientific Inc.
Alex Lambert	Venture Capital Manager	mHUB
George Pappas	CEO	Schedule 1 Therapeutics
Vanessa Arroyo	Business Owner	SERES Footwear
Eric Zeece	CEO	Thyreos Inc
Éamon Johnson, Ph.D.	CEO	TritonX, Inc.
Qing Chang	SBIR Program Director and Chief Scientific Officer	University of Illinois at Chicago/Technology Innovation
Yasemin Cetin	Owner	Zqai llc
Jack M Kloeber Jr.	CEO	MicroMGx Inc
Amit Behera	Manager of Design Group	QuesTek Innovations LLC
Anna Lisa Somera MS, MBA, MPH	CEO	Rhaeos
Peter Farmakis	CEO	32 Biosciences
Chad Husko, Ph.D.	CEO	Iris Light Technologies
Manfredo J. Seufferheld	Founder and President	FrostDefense Envirotech Inc.
Ridong Chen	President	APT Therapeutics Inc

## Ernst and Young Economic Impact Estimate

### **Illinois:**

Will lose \$384,000,000 per year in R&D spending

Will lose \$546,000,000 per year in R&D-related wages

Will lose 6417 highly compensated jobs

***Unless Section 174 is fixed.***

# Indiana

## Letter to Congress Co-signers

Thomas J. Gast MD, Ph.D.	Chief Medical Officer	Aeon Corporation
Joe Trebley, Ph.D.	CEO	Scioto Biosciences
Carlos Freitas	Partner	Hull & Knarr LLP
Kristin Jones	President and CEO	Indiana Health Industry Forum
Derek A. Small	CEO	Luson Bioventures
Brandon Devine	Business Owner	Devine Distribution Inc
Diana Caldwell, MBA	CEO and Cofounder	Amplified Sciences
Christina Devine	CPA	Devine CPA & Co
Wade Lange	Board Member	ImmuneWorks, Inc
Justin Wiseman	CEO	Wik Devices LLC

## Ernst and Young Economic Impact Estimate

### **Indiana:**

Will lose \$162,000,000 per year in R&D spending

Will lose \$230,000,000 per year in R&D-related wages

Will lose 2708 highly compensated jobs

***Unless Section 174 is fixed.***

# Iowa

## Letter to Congress Co-signers

Michael K. Schultz, Ph.D.	Co-Founder and CSO	Perspective Therapeutics
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## Ernst and Young Economic Impact Estimate

### **Iowa:**

Will lose \$72,000,000 per year in R&D spending

Will lose \$104,000,000 per year in R&D-related wages

Will lose 1208 highly compensated jobs

***Unless Section 174 is fixed.***

# Kansas

## Letter to Congress Co-signers

Lisa Friis, Ph.D.	CTO	Evoke Medical, LLC
Robert A Reinsch	Technical Trainer	Microsoft
Wayne Carter, DVM, Ph.D.	CEO	TVAX Biomedical

## Ernst and Young Economic Impact Estimate

### **Kansas:**

Will lose \$48,000,000 per year in R&D spending

Will lose \$68,000,000 per year in R&D-related wages

Will lose 798 highly compensated jobs

***Unless Section 174 is fixed.***

# Kentucky

## Letter to Congress Co-signers

Marc Stone	President	Stonebridge Hospitality
Stefan Stamm	President	CircCure
Janelle Molloy, Ph.D.	President	Iridesce Solutions, Inc
Bruce Webb, Ph.D.	Founder and CEO	Lepidext Inc.
Ginger Watkins, Registered Architect	President	ORB Technologies LLC
Angelika Fath-Goodin, Ph.D.	CEO	ParaTechs Corp.
Mike Lhamon, Ph.D., MVA	Director of Innovation and Development	Signal Solutions, LLC
Guoqiang Yu	Professor of Biomedical Engineering	University of Kentucky
Lora Stone	Lab Technician	University of Kentucky HealthCare
Jinghong Sun	CEO/Founder	Bioptics Technology LLC
Sunny Dronawat, Ph.D.	CEO	FETAL LIFE
Sufan Chien, MD	President and CEO	Noveratech LLC of Louisville, KY
Jeff Cummins, MBA	CEO and CFO	vCardio Inc and Immersive Hearing Technologies

## Ernst and Young Economic Impact Estimate

### **Kentucky:**

Will lose \$24,000,000 per year in R&D spending

Will lose \$35,000,000 per year in R&D-related wages

Will lose 408 highly compensated jobs

***Unless Section 174 is fixed.***

# Louisiana

## Letter to Congress Co-signers

Tamara Webb	President	Phoenix Waste Solutions
Taylor White	CEO	Countabl
Kris Khalil	Executive Director	New Orleans BioInnovation Center
Alana L. Gray, Ph.D.	Chief Operating Officer	Oleolive, Inc.

## Ernst and Young Economic Impact Estimate

### **Louisiana:**

Will lose \$7,000,000 per year in R&D spending

Will lose \$11,000,000 per year in R&D-related wages

Will lose 124 highly compensated jobs

***Unless Section 174 is fixed.***

# Maine

## Letter to Congress Co-signers

John Konsin	CEO and Co-founder	Prapela, Inc.
Christopher Webb, MBA	President & CEO	Ai Control Technologies Inc
Daniel Johnson, Ph.D.	Associate Professor, retired	University of Maine

## Ernst and Young Economic Impact Estimate

### **Maine:**

Will lose \$8,000,000 per year in R&D spending

Will lose \$12,000,000 per year in R&D-related wages

Will lose 142 highly compensated jobs

***Unless Section 174 is fixed.***

## Prapela, *Portland, ME*

### **John Konsin, MBA**

CEO

Prapela



My company, Prapela, is the most awarded pediatric medical device startup in the United States. Our technology has been twice awarded Breakthrough Device Designation from the FDA. We are a 3X winner of the FDA Pediatric Device Consortium Award. We have been selected in the MassChallenge, Johnson & Johnson (JLabs), and MedTech Innovator accelerator programs. We have received over \$8M in non-dilutive awards from the NIH, the States of Ohio, Massachusetts, Maine, and Johnson & Johnson. Our breakthrough technology is the world's first mattress that helps newborns breathe. For the past two years, we have been entirely funded with Small Business Innovation Research (SBIR) awards from the National Institutes of Health (NIH). We are working to file for FDA clearance by the end of this year. We need FDA clearance to sell and create revenue for our business. The 2017 Tax Cut and Jobs Act threatens over twenty years of development and support from numerous clinical studies, neonatologists, and parents across the United States.

**As a result of being unable to expense research spending immediately, we now owe both State and Federal income taxes. Since NIH funds cannot be used to pay taxes, we are now at risk of securing FDA clearance and continuing our work to improve the medical treatment of opioid-exposed and preterm newborns.**

I have reached out to Senators King and Collins and Congresswoman Pingree. Senator King is a cosponsor on S.866. I've asked Senator Collins to join him and 38 other Senators as a cosponsor. I've also asked Congresswoman Pingree to cosponsor H.R. 2673.

Please let me know if you would like to learn more details on the impact of 174 on Prapela or help me take this story to the Hill.

*National Institutes of Health SBIR/STTR portfolio company.*

# Maryland

## Letter to Congress Co-signers

Stephen Ritterbush, Ph.D.	CO-Chairman	xMD Diagnostics, Inc.
Michael Emmert-Buck, MD, PhD	Director	Avoneaux Med, LLC
Therese Canares, MD, MBA	CEO	CurieDx
Michael Tangrea, Ph.D.	CEO	InLUCEO Biosciences, Inc
Rose Maria Li, MBA, Ph.D.	President & CEO	Rose Li & Associates, Inc.
Yun-Ling Zheng, MD, Ph.D.	President	TeloHealthDx LLC
Ginette Serrero	CEO	A&G Pharmaceutical
Sathya Elumalai	CEO	Aidar Health Inc.
Michael Jay	Emeritus Professor	GardenPharm
Anindya Chanda	CEO	Mycologics
Janak Padia	CEO	Primetime Life Sciences LLC
Michael J. Potter, Ph.D.	Chief Executive Officer	VeraChem LLC
Mason Scuderi	President	d'Vinci Interactive
Parag Karmarkar	Founder and CEO	SIGT Medical
Jed Weiner	Founder	grIP Venture Studio
Fereshteh Aalamifar, Ph.D.	CEO	PediaMetrix Inc.
Gary Fanger, Ph.D., MBA	President & CEO	Rise Therapeutics, LLC
Raj Shekhar, Ph.D.	President and CTO	AusculTech Dx
Sharon Flank, Ph.D.	CEO	InfraTrac, Inc.
Asher Leff, Ph.D.	Founder & CEO	TauMat, LLC
Connor Roberts, MS	Founder	Opal HTM
Uri Tasch	Professor emiritus	Step analysis, LLC
Eric Montgomery, Ph.D.	Director of Research	Euclid Techlabs, LLC

## Ernst and Young Economic Impact Estimate

### **Maryland:**

Will lose \$108,000,000 per year in R&D spending

Will lose \$155,000,000 per year in R&D-related wages

Will lose 1809 highly compensated jobs

***Unless Section 174 is fixed.***

## Cherry Bekaert Advisory LLC, *Rockville, MD*

**John Ure, JD**

Partner

Cherry Bekaert Advisory LLC

I have many clients affected by 174, many of which are still in the SBA 8a program and incurred several million dollars in additional taxes in 2022. Now we're planning for the impact for 2023. As you know, 174 and its corresponding tax increase have stifled the growth of these companies, and several told me they were planning to hire more personnel for new contracts and deliberately planned growth, but now they aren't able to because of the additional tax burden. Virtually all of my tech companies are severely hit by this, while many of my clients in other industries experience little or no effect. It has actually been very heartbreaking to work with my clients this past year, to see their unbelief and watch them scrap plans they've worked so hard to achieve. **I think it is one of the most ill-advised tax policies I've ever encountered.**



## inLUCEO Biosciences, Inc., Severna Park, MD

### **Michael Tangrea, PhD**

CEO & Co-Founder  
inLUCEO Biosciences, Inc.



Our company, inLUCEO Biosciences, Inc. is developing a novel upfront technology that can greatly impact molecular diagnostics and precision medicine for patients. To date, we have relied solely on government grants and contracts to accomplish the R&D necessary to advance the technology. However, Section 174, as it stands now, will negatively impact our ability to continue as a business. With such a dramatic tax burden for seed companies that are trying to survive and make a positive impact in the world, Section 174 makes running a company untenable. Saddling innovation with such a heavy cost will deter the next generation of startups from pursuing their dreams.

Please repeal Section 174 retroactively to support the growth of innovation in the United States.

*National Institutes of Health SBIR/STTR program portfolio company.*

## Rise Therapeutics LLC, *Rockville, MD*

**Gary Fanger, PhD**  
CEO  
Rise Therapeutics



I am reaching out to address a critical issue that holds significant implications for the dynamism of our nation's innovation landscape. The interpretation and application of Section 174 within our current tax framework has reached a critical juncture, one that could potentially undermine the bedrock of our domestic R&D enterprises if not promptly and properly addressed.

Should we allow this to persist unrectified, we face not only the dissolution of these companies but also the forfeiture of our competitive stance in the global R&D arena. With competitors like China escalating their R&D investments, the United States simply cannot afford to handicap its innovation engines in such a manner.

The ambiguity surrounding the tax code, particularly post-TCJA, has become a substantial hindrance to the operation of businesses that are central to our nation's progress. The current state of affairs, despite extensive input from top-tier accounting expertise, still lacks a definitive path forward. This uncertainty is far from a mere inconvenience—it translates into tangible fiscal strain, as evidenced by the costly diversion of both human and financial capital into deciphering these tax complexities rather than fueling innovation.

Our organization, with multiple products in clinical testing and now contributing significantly to technological and biomedical advancements, is not immune to these pressures. The implications are profound, extending beyond our reserve margins and endangering the livelihoods of our dedicated employees. **Moreover, our role as a catalyst in nurturing start-up ecosystems is in jeopardy; these seed-stage ventures represent the next wave of our nation's innovation prowess, yet without intervention, we are forecasting a grim future for them under the current tax landscape.**

*National Institutes of Health SBIR/STTR portfolio company.*

## Massachusetts

### Letter to Congress Co-signers

Dr. Rania Hassan	CEO	erli.ai
Tancredi Botto	CEO	Muon Vision Inc.
Dr. Marcie Black	CEO	Advanced Silicon Group
Eric Silver, Ph.D.	Founder and CEO	Imagine Scientific, Inc.
Derek Stein, Ph.D.	CEO	Adept Materials
Michael White, Ph.D.	CEO / CTO	FTL Labs Corporation
Nasser Rafiee	CEO	Transmural Systems LLC
Brian LaCroix, CPA	Partner	Jameson & Company, LLC
Brianne Sullivan, Ph.D.	Consultant	Back Bay Life Science Advisors
Ramesh Annavajjala, Ph.D.	CTO	BlueFusion Inc
Brianna Swartz	Commercial Banker	Citizens Bank
Rania Hassan	CEO	erli.ai
Franco Vitaliano	President & CEO	ExQor Technologies, Inc.
John Klein	CEO	Generate LLC
Andrew Gauthier	President	Mighty Startup
Minmin Yen, Ph.D., MPH	CEO & Co-Founder	PhagePro
Prathamesh Prabhudesai		SafeBVM
Farshid Ghasemi	CEO	Weddell Technologies
Tuan Le Mau	CEO	PASCALL Systems, Inc.
Jacob Grose, Ph.D.	CEO/Co-founder	Copernic Catalysts
Dallas E. Hughes, Ph.D.	President	Novobiotic Pharmaceuticals LLC
Konstantinos Tsioris, phd	President	OneCyte Biotechnologies
Emily Man, MS	CEO	Venova Technologies
Winston Chern	President and CEO	X-Sight Incorporated
Philip H. Warren, Ph.D.	CEO	ARMADA Marine Robotics
Barry A Berkowitz	CEO	Bessor Pharma
Piali De, Ph.D.	CEO	Senscio Systems
Faye Wu, Ph.D.	CTO	Manus Robotics

Kimya Harris, Ph.D.	CEO	TriCan Health
Dr. Jerry Fanucci	President	ZKxKZ LLC
Craig Patterson	CFO	Celero Systems, Inc
Winston Tao, Ph.D.	CEO	Nuthatch Robotics, Inc.
Richard Marshall	CEO	completionAI
Karen Bulock, Ph.D.	Managing Director Brown Biomedical Innovations	Brown University
Fredric Schiffer, MD	Founder and CEO	MindLight, LLC
Srinivas Sridhar	Founder/CEO	NeuroFieldz Inc
Yuval Malinsky	CEO	Vigorous Mind, Inc.
Charles H. Rogers, Ph.D.	CEO	Opus KSD, Inc.
Bradley Poulsen, Ph.D.	CSO	Altigg Therapeutics
Luke Blauch, Ph. D.	Principal Investigator and Owner	DropXcell
Benoit Scherrer	CEO	Quantivly
John Parker	Managing Partner	Springhood Ventures
Marc Bucalo, CPA	President & CEO	g2 Consultant, Inc.
Steven Opolski	Chief Technology Officer	GNU Company LLC
Stephen Spiegelberg, Ph.D.	President	Cambridge Polymer Group Inc.
Dale Fried, Ph.D.	Founder and CEO	3DEO, Inc.
Daniel Oran, Ph.D.	President and CEO	Irradiant Technologies
Olivier Boss	Founder and CEO	Energesis Pharmaceuticals, Inc.
Aaron Colby, Ph.D.	CEO	Ionic Pharmaceuticals
John V. Frangioni, M.D., Ph.D.	CEO	Curadel

### Ernst and Young Economic Impact Estimate

#### **Massachusetts:**

Will lose \$587,000,000 per year in R&D spending

Will lose \$836,000,000 per year in R&D-related wages

Will lose 9816 highly compensated jobs

***Unless Section 174 is fixed.***

# Michigan

## Letter to Congress Co-signers

Gregory Gage, Ph.D.	CEO	Backyard Brains
Gregory Ervin	COO	FlexSys Inc.
Alex Russomanno	CEO	NewHaptics
Malcolm Kahn	President and CEO	NOTA Laboratories, Inc.
Seth Coe-Sullivan, Ph.D.	CEO	NS Nanotech
Eric Martin, Ph.D.	President and Co-founder	MONSTR Sense Technologies, LLC
Steven Bloembergen, Ph.D.	Chairman and CEO	GreenMark Biomedical Inc.
Ellen R Campbell	CEO	NECi
Stephen LeBeau, Ph.D.	President	nanoMAG LLC
Brad Burke, MD	CEO	2INNOVATE LLC
Ming Han	President	NUSENICS, LLC
Mutasim Salman, Ph.D. in Electrical Engineering.	CEO of Systems Research & Consulting LLC	Systems Research and Consulting LLC
Patsy R. Aiken, CPA	CPA	Reau & Associates, PC
Charles J. Cohen, Ph.D.	CTO	Cybernet Systems Corporation

## Ernst and Young Economic Impact Estimate

### **Michigan:**

Will lose \$567,000,000 per year in R&D spending

Will lose \$808,000,000 per year in R&D-related wages

Will lose 9475 highly compensated jobs

***Unless Section 174 is fixed.***

## 2innovate, *Detroit, MI*

### **Brad Burke**

Founder and CEO  
2innovate



Thank you for the opportunity to share how this tax code change in Section 174 has adversely impacted our company.

Currently, our start-up LLC has no other revenue. We are trying to get by until January 2024, using personal (household) funds for R&D expenses instead of using the NSF Phase I award to save tens of thousands of dollars of additional taxes in 2023. (We were recently turned down for an unsecured bank loan, even though we had proof of the NSF award.)

We estimate that on our \$275,000 NSF Phase 1 grant, we will owe more than \$55,000 in company taxes, mostly taken from our personal funds. I have no idea how we will afford a larger Phase 2 award if the tax code is not changed.

**Companies like ours should not have to apply for bank loans to accept Federal and State grants.** We need a change in the tax code so that our company, 2innovate LLC, can provide innovative and life-saving products to U.S. consumers without going bankrupt.

Thank you for any assistance you can provide in advocating for a change in the tax code on our behalf.

*National Science Foundation SBIR/STTR portfolio company.*

# Minnesota

## Letter to Congress Co-signers

Claude Tihon, Ph.D.	President & CEO	Aplos Medical
Laurie E Lynch, Ph.D.	CEO	Medical Device Consultant
Anja Metzger, Ph.D.	CEO	Innovative MN Medical Solutions
Matthew Nelson, Ph.D.	CEO	NexGen Cancer Detection
Lori Balma	Vice President	Maxwell Labs
Efrain Torres, Ph.D.	CEO	Adialante
William Moy, Ph.D.	Co-Founder and CTO	COBI
Sameer Kumar, Yale BS Applied Physics, UPenn MBA	CEO, Co-Founder	HabitAware
Scott Burwell, Ph.D.	CEO	Neurotype Inc.
Brian Johnson, M.S.	Medical Device Innovation	University of Minnesota
Phil Hustad	CTO	Geminatio
Patrick Guire, Ph.D.	President/CEO	Innovative Surface Technologies, Inc.
Bryce Beverlin II, Ph.D.	CEO	Quench Medical Inc.
Robert Ziebol	CEO	Ziebol Ventures LLC
Carolyn Dry, Ph.D..	President	Designs by Natural Processes, Inc.
Kent Cavender-Bares	CEO	Rowbot Systems LLC

## Ernst and Young Economic Impact Estimate

### **Minnesota:**

Will lose \$28,000,000 per year in R&D spending

Will lose \$23,000,000 per year in R&D-related wages

Will lose 471 highly compensated jobs

***Unless Section 174 is fixed.***

# Mississippi

## Ernst and Young Economic Impact Estimate

### **Mississippi:**

Will lose \$6,000,000 per year in R&D spending

Will lose \$9,000,000 per year in R&D-related wages

Will lose 107 highly compensated jobs

***Unless Section 174 is fixed.***

# Missouri

## Letter to Congress Co-signers

Paul Hippenmeyer	CEO	ADSAT Therapeutics LLC
Phillip McGee	Founder	[entrnest]
Teresa Barnes	President and co-founder	fluidIQ
Bernard Miller, MD	Founder and CEO	Miller Diversified Health Partnerships LLC
Jianxin Bao	CEO	Gateway Biotechnology Inc
Gabriel Haas	Chief Technology Officer	GenAssist Inc
Joe Beggs	CEO	HIVE
Gerald Dorn, M.D.	Professor of Medicine	Washington University in St Louis

## Ernst and Young Economic Impact Estimate

### **Missouri:**

Will lose \$113,000,000 per year in R&D spending

Will lose \$160,000,000 per year in R&D-related wages

Will lose 1882 highly compensated jobs

***Unless Section 174 is fixed.***

# Montana

## Letter to Congress Co-signers

Constance Woodman	Chief Operating Officer	Field Data Services, LLC
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## Ernst and Young Economic Impact Estimate

### **Montana:**

Will lose \$4,000,000 per year in R&D spending

Will lose \$5,000,000 per year in R&D-related wages

Will lose 66 highly compensated jobs

***Unless Section 174 is fixed.***

# Nebraska

## Letter to Congress Co-signers

Peter F. Kador, Ph.D., FACVO, FAOPT, FAAPS	President and CEO	Therapeutic Vision, Inc.
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## Ernst and Young Economic Impact Estimate

### **Nebraska:**

Will lose \$16,000,000 per year in R&D spending

Will lose \$23,000,000 per year in R&D-related wages

Will lose 266 highly compensated jobs

***Unless Section 174 is fixed.***

# Nevada

## Letter to Congress Co-signers

Dustin Hines Ph.D.	Doctor/Professor	Tesselate Therapeutics
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## Ernst and Young Economic Impact Estimate

### **Nevada:**

Will lose \$13,000,000 per year in R&D spending

Will lose \$19,000,000 per year in R&D-related wages

Will lose 223 highly compensated jobs

***Unless Section 174 is fixed.***

# New Hampshire

## Letter to Congress Co-signers

Jake Reder, Ph.D.	CEO	Celdara Medical
Stan Tomlinson, Ph.D.	Founder & CTO	Quiet Energy Corporation
Anthony Cooper	CEO/Co-Founder	Aclys Bio
David Danielson	CEO	CairnSurgical
William Ware	Co-Founder, CEO	DoseOptics LLC
Whitmore Kelley Jr.	Chief Executive Officer	SignalQuest, LLC
Aaron Sharabaika, MS	CEO	Tolerance Capital
Christopher Dundorf	President	2KR Systems

## Ernst and Young Economic Impact Estimate

### **New Hampshire:**

Will lose \$25,000,000 per year in R&D spending

Will lose \$35,000,000 per year in R&D-related wages

Will lose 416 highly compensated jobs

***Unless Section 174 is fixed.***

## CairnSurgical, Lebanon, NH

**David Danielson**  
CEO  
CairnSurgical



**Section 174 rules increased our taxable earnings during Phase II SBIR/STTR grant that was awarded to support completion of a pivotal clinical study, and thus curtailed ability to complete the study as planned** with respect to per patient costs and site initiation costs that were planned to be fully covered by the grant. We reverted to using private investment funds that would have otherwise been used to expand operations.

Section 174 rules also inhibited and delayed our plans to add an additional R+D software engineer based on expensing timeline, which delayed our ability to develop essential workflow software meant to track product orders and production and deliveries. We had to rely on manual workflows that added even more costs.

*National Institutes of Health SBIR/STTR portfolio company.*

## Celdara Medical, Lebanon, NH

### Jake Reder, PhD

Co-founder and CEO  
Celdara Medical



Same-year R&D expensing is a wonky and confusing issue. The world's largest accounting and tax firms have resisted providing guidance. Why? **Because nobody believed Congress would let these changes stand.** Even IRS only put out guidance a few weeks ago. Like many other entrepreneurs, for the last 5 years I was regularly assured by tax professionals and our elected representatives that we could ignore the TCJA's innovation tax; a fix would come. Entrepreneurs trusted in the experts and went back to running their businesses. Nobody thought it would come to this because the damage is going to be so extensive.

My own company will lose millions. We must now consider new lines of business and business models, we cannot invest in R&D at nearly the same level, we will not expand nor hire as aggressively, and our impact on the world will be measurably lessened.

Our research indicates that this policy could push >5,000 of the most promising NIH and DOD-backed companies into bankruptcy. Many are not speaking up for fear of demoralizing or losing their teams. Many simply can't believe this could happen in America. And pass-through taxation will bankrupt many of these founders personally.

**Our Nation's innovation culture is at risk** – innovators will be bankrupted, the best and brightest entering the workforce will not choose an entrepreneurial path, our mid-career experts will not take on the risk of doing something revolutionary, and new company starts across our innovation economy will plummet. America, once a beacon of innovation, now risks fading.

*National Institutes of Health SBIR/STTR portfolio company.*

## New Jersey

### Letter to Congress Co-signers

Sheilisa McNeal	Founder and CEO	Fria LLC
Leon I Rosenberg, MD	Medical Director	Center for Emotional Fitness
Paul Diefenbach	CTO	Enable Games LLC
Anders B. Laursen, PhD	CEO and President	RenewCO2 Inc.
Madhu Stemmermann	CEO and Founder	SunRay Scientific-Inc
Gerald F Bills, Ph.D.	Sole Proprietor	Microbial World LLC
Rao S. Bezwada, Ph.D.	Founder & CEO	Bezwada Biomedical, LLC
Ediuska Laurens	Founder & CEO	Genius Shield
Robert Pestka	CEO	PBL Assay Science
Hsien-hsin tung	Member	Acrysparm
Joseph Huang	President	MicroDysis, Inc.
Elizabeth Gillon CPA	Managing Member	Gillon Tax Advisors
William J. Greenlee, Ph.D.	President	MedChem Discovery Consulting LLC
Stephen Parent, Ph.D.	Founder	Kathera Bioscience Inc
Hariklia Deligianni	Founder & CEO	Sense4me
Daniel Weinstein	Co-founder and CEO Leir Endowed Chair for	UCHU Biosensors, Inc.
Cesar Bandera, Ph.D	Entrepreneurship	New Jersey Institute of Technology

### Ernst and Young Economic Impact Estimate

#### **New Jersey:**

Will lose \$419,000,000 per year in R&D spending

Will lose \$597,000,000 per year in R&D-related wages

Will lose 7003 highly compensated jobs

***Unless Section 174 is fixed.***

## Cell Podium, Newark, NJ

### **Cesar Bandera, PhD**

Founder, Cell Podium

Leir Chair of Entrepreneurship, New Jersey Institute of Technology



The New Jersey Institute of Technology (NJIT), a public R1 university with a research budget of >\$150M/year, spins off on average five startups per year based on technological innovation. Under programs including the NSF I-Corps, NJIT provides training, seed funding, and an ecosystem for these ventures, which represent the next generation of healthcare diagnostics and interventions, telecommunications, transportation, and energy. In all cases, the SBIR program is a critical step in the maturation of these ventures, and for three years on average is the ventures' only source of funding. These ventures are at their most vulnerable R&D-intensive financial stage, and none have the resources to pay on average an additional \$250K in taxes under the Innovation Tax (Section 174).

State and Federal governments rightly prioritize the translation of research from academic labs into the market. It is thus counter-productive for the government to kill the precious few innovations that survived the challenges of basic research, intellectual property protection and licensing, business formation and staffing, and SBIR funding, all in a misguided attempt at collecting a few hundred thousand dollars per venture.

# New Mexico

## Letter to Congress Co-signers

Justin MacDonald	Chief Strategic Officer	Class Bucks
Cliff Chan	CEO	OAM photonics
Edwin M Nemoto, Ph.D., FAHA	CEO	Shearit, LLC
Tracy Kliphuis	CEO	EnviTrace LLC
Daniel J. Kane, Ph.D.	CEO and Founder	Mesa Photonics, LLC
Karen Crow, MS	CEO	NeuroGeneces Inc
Snezna Rogelj, Ph.D.	Professor	New Mexico Tech

## Ernst and Young Economic Impact Estimate

### **New Mexico:**

Will lose \$10,000,000 per year in R&D spending

Will lose \$16,000,000 per year in R&D-related wages

Will lose 176 highly compensated jobs

***Unless Section 174 is fixed.***

## New York

### Letter to Congress Co-signers

Stephen Yelity	President & CEO	BusStim, LLC
Srikanth Singamsetty, PhD, BVSc	Scientific Director	Phoenix Nest Inc.
William Rader	CEO	Efferent Labs, Inc.
Emily Majewski	Founder	PHYTOSTONE LLC
Anurag Purwar, Ph.D.	CEO	Mechanismic Inc
Jason Cortell, PE	Lead Engineer/CEO	Dynamic Locomotion, Inc.
Jacob VanderBurgh, Ph.D.	Principal Scientist	CyteQuest
Harold Craighead	Research Head	CyteQuest, Inc.
Jonathan Alden, Ph.D.	CEO	Esper Biosciences Inc
Alexa Schmitz, Ph.D.	CEO	REEGen Inc.
Mohammad Arshadi, Ph.D.	CEO	Clean Label Solution
Joseph Scaduto, MS, MBA	Co-Founder and CEO	CMTx Biotech Inc.
Alex White	CEO	Subcity, Inc
Rochelle Mendonca, Ph.D., OTR/L	Assistant Professor	Columbia University
James C. Murray, JD	Managing Partner	ExSight Ventures
Victor Varnado	Founder ROPLAGARIN, LLC	ROPLAGARIN, LLC
Vince Hartman, MS	Cofounder & CEO	Abstractive Health
Louis Schure	CEO	Curebiotech Inc
John Baust, Ph.D.	President and Lead Scientist	CPSI Biotech
Damon Diel	Director of Technology Integration, Luminate	NextCorps Startup Incubator
Kevin Gu	Founder	Astrabeam LLC
John Costa	CEO	SunThru LLC
Basil Rigas, MD	President	Medicon Pharmaceuticals. Inc.
Lorenzo D'Amico, Ph.D.	CEO	Triton Bio, Inc
Vera Gorfinkel	Associate Professor	SBU
Dr. Vasily Jorjadze	CEO	IM Technologies, LLC
Aron Kain	Senior VP of Engineering and Owner	BH Technology, LLC
Romy M Fain, Ph.D.	CEO	Heat Inverse
Cetin Cetinkaya	Owner and CTO	Pharmacoustics Technologies, LLC

Prem Premisirut, MD, PhD	CEO	Mirimus
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Ernst and Young Economic Impact Estimate

**New York:**

Will lose \$437,000,000 per year in R&D spending

Will lose \$622,000,000 per year in R&D-related wages

Will lose 7304 highly compensated jobs

***Unless Section 174 is fixed.***

## PHYTOSTONE, Inc. *Buffalo, NY*

### **Emily Majewski**

Founder  
Phytostone, Inc.



PHYTOSTONE is a 100% woman-owned hard tech studio which develops advanced natural building materials. In early 2023, I was notified that my firm had won SBIR and NYSERDA grants. Our R&D money for this year skyrocketed from a very limited self-funded effort to \$514,000, with over a million dollars additionally set aside for Phase 2 development through NYSERDA. As my firm committed to our award research programs, I became aware of the devastating impacts changes to Sec 174 were going to have.

**PRE-REVENUE:** PHYTOSTONE is pre-revenue and is now being funded 100% through the above-described grants. As founders, our only “profits” from these grants are the wages we are earning from working full time (wages that are already subject to W2 and self employment taxes). Otherwise, 100% of the research money we have won has been allocated to **direct research expenses with budgets that are to be spent down to zero. There is no revenue.** Not only is there no revenue to pay these new taxes with, even if we had a reserve, it would be illegal to do so: in the case of the SBIR grant, we are prohibited by law from using Federal grant funds to pay Federal taxes. Talk about the proverbial rock and hard place.

**IMPACTS OF AMORTIZATION:** For us and thousands of other pre-revenue startups and university spin-offs, TCJA changes to Sec 174 are apocalyptic. We are an LLC, and as I manage the State and Federal research which we are now contractually obligated to perform, for every dollar I spend it feels like I am digging a grave of personal tax liability 1 dollar deeper. I simply don’t know where the funds to pay for next year’s taxes on these amortized research costs are supposed to come from when my company is not currently selling goods nor services. The American Dream is truly broken when every day an innovator invests in developing a future product brings them one day closer to bankruptcy.

**IN CONCLUSION:** For the US to enjoy continued economic prosperity into the 21st Century it needs a thriving ecosystem of innovators building tomorrow’s businesses and taxbase. I implore you to re-examine the latest interpretation of Sec 174 immediately. Please consider the perspective that both self-funded and government-funded research costs should not be considered taxable revenue. **Research is not revenue nor does it ever guarantee revenue.** It’s an investment in the future that deserves stimulus and protection as acknowledged by 191 out of 193 countries’ tax departments around the world.

*National Science Foundation and NYSERDA portfolio company.*

## North Carolina

### Letter to Congress Co-signers

Eva Garland, Ph.D.	CEO	Eva Garland Consulting
Frank Scholle, Ph.D.	President and COO	PhotoCide Protection Inc.
Leon DeJournett, MD	Chief Medical Officer	Ideal Medical Technologies
Jonathan Beckwith, MS	CEO Olfax Medical	President DFD Solutions
Gabriel Dainotto	Student	Appalachian State University
Ming Liu	CEO	Assist Equipment Development Inc.
Sherwood Yao	CEO	Atom Bioworks Inc
Jeremiah S Heneghan	Chief Design Officer	BioMojo LLC
Keith Gausmann	Partner	Blur Development Group, LLC
Bridget McMinn	Partner	McChin Solutions
Joe Spratt	Owner	Spratt Financial
Xiaomei (Lisa) Li, Ph.D.	CEO	Accunovo Biotechnologies Inc.
Mike Provance, Ph.D.	Managing Partner	Alpine Growth Partners / George Washington University
Genevieve Springer	CEO	OrganAI Health
Tom Grimes	SVP, Business Development	Spotlight Solar
Chengwen Li	Professor	UNC at Chapel Hill
Jacquelyn J. Bower, Ph.D.	Assistant Professor	UNC at Chapel Hill
Junjiang Sun, MD	Assistant Professor	UNC-Chapel Hill
Barbara Lutz, Ph.D., RN	Managing Partner	PATH2Caregiving, LLC
Cecilia Kwan, Ph.D., RD	Clinical Research Associate	IQVIA
Troy Dugo	Founder	Wearable Defense, LLC
Melissa DeRosier	CEO	3C Institute
William M Heim, MS, MBA	COO	BioAesthetics Corporation
Michael P. Vitek, Ph.D.	CEO	Cognosci, Inc.
Bradley Estes, Ph.D.	President and CEO	CytexOrtho
Martin Tornai, Ph.D.	Associate Professor of Radiology	Duke University
James M Davis, MD	Associate Profssor	Duke University School of Medicine
Runze Huang	CEO	ExLattice
Andrew Jones	Chairman & Founder	FreeFlow Medical Devices
Charlie Atwater	CEO	Hydro Service & Supplies, Inc.
June Almenoff	Biotech Executive	Independent
Stefan Roberts, Ph.D.	CEO	inSoma Bio, Inc.

Philip Verghis	CEO & co-founder	Klever Insight
Chris Broderick	CEO	Merakris Therapeutics, Inc
Charles Askew, Ph.D.	President and CEO	NabGen, Inc.
Haiyan Fu	President/founder	NeuroGT, Inc.
Xiang Gao, Ph.D.	VP for Research	OncoTrap, Inc
David Farrell	President	People Designs Inc.
Zehra Parlak, Ph.D.	Founder and CEO	QATCH Technologies
Stewart Bible	Managing Partner	Resolved Analytics
Emerson Huitt	CEO	Synthesis Inc
Subba R Katamreddy	President	SPV Therapeutics
Eoin McDonnell	CEO and Co-Founder	Tavros Therapeutics
Sunny Kasoji, Ph.D.	CEO	Triangle Biotechnology, Inc.
Christopher Sims, M.D.	Founder and Board Member Altis Biosystems, Inc	Vice President and Board Member Cell Microsystems, Inc.
Dr. John Hardin	Citizen	
Cambre Kelly, Ph.D.	CEO	Resolute
Liam Duffy	Founder & CTO	Moirs Instruments, LLC
Ralph Lloyd	President	Lloyd Technologies, Inc.
Jun Wang	President	Nanodiagnostic Technology, LLC
Zachary Lyon	CEO/President	H3Pelvic Therapy Systems
Steven Noyce, Ph.D.	CEO	Versametrics
Joseph Ruiz, Ph.D.	President	Enzerna Biosciences Inc
Ken Purchase, Ph.D.	COO	Trio Labs
Nanguneri Nirmala	CEO	Vindhya Data Science
Osahon Ojeaga	Chief Executive Officer	Aja Labs
Matt Hirsch, Ph.D.	President and CEO	Bedrock Therapeutics
Thom LaBean Ph.D.	President and CEO	Helixomer, Inc.
Gwen Hodges	Partner	Hodges & Hergenrader, LLP
Allison London Brown	CEO	LUMINELLE
Tim Neuman	Director of Training	miR Scientific
Ivan Barajas Vargas, MBA	CEO	MuukTest
Tad Schwendler	COO	Natrx
Tom Welsh	President	Revware, inc.
Antonio A. Morgan-Lopez, Ph.D.	Senior Fellow in Quantitative Psychology	RTI International
Stephen Furst, Dr. -Ing.	CEO	Smart Material Solutions, Inc.
Joshua Pierce, Ph.D.	President and CEO	Synoxa Sciences, INC
Carlos Dedesma, Ph.D.	CEO, Founder	Vizma Life Sciences

Brian Gilger, DVM	Professor of Ophthalmology	NC State University
Benjamin Gage	Tech Transfer Professional	YP2M.com
Ed Burgard, Ph.D.	President and CEO	Dignify Therapeutics, LLC
Walker A. Long, MD	President and CEO	GeneBiology, Inc.
Anne Marion Taylor, Ph.D.	Owner	Xona Microfluidics, Inc.
Scott Shwartz	CTO	Lady Technologies
Francis Cusack	Consulting CTO	10 10ths Consulting
Juliana L Blum, Ph.D.	COO	Plakous Therapeutics
Bryant Sauls	President	IAS
Kate Frear, Ph.D.	Co-founder and CEO	Joyntly Human Capital Labs
Gary Salamido	CEO	NC Chamber
Kaira Wagoner, Ph.D.	Co-founder and CEO	Optera
Sree Rajagopalan	President and CEO	Murano Corporation
Ryan Shelton, Ph.D.	Co-founder and COO	PhotoniCare
Alan McSwain	CPA	MMCPA`
vijayakanth pagadala	COO	Glycan therapeutics

### Ernst and Young Economic Impact Estimate

#### **North Carolina:**

Will lose \$235,000,000 per year in R&D spending

Will lose \$334,000,000 per year in R&D-related wages

Will lose 3922 highly compensated jobs

***Unless Section 174 is fixed.***

## 3C Institute and 3C Family Services, *Durham, NC*

### **Melissa DeRosier, PhD**

Founder and CEO, 3C Institute and 3C Family Services  
Chief Scientific Officer, Centervention  
Durham, NC  
[derosier@3cisd.com](mailto:derosier@3cisd.com)



My company, 3-C Institute for Social Development ([www.3cisd.com](http://www.3cisd.com)), has been around a long time, going on 23 years now. We have weathered many storms over the years, but we are now facing a foe that I fear will put us out of business. That foe is Internal Revenue Code **Section 174** which was revised under the Tax Cuts and Jobs Act (TCJA).

Section 174 imposes a tremendous tax burden on software companies like mine. The loss of current year R&D deductions and mandatory capitalization of those expenses makes tax payments so excessive that I am seriously considering closing the company or pivoting to exclude R&D from what we do.

**I feel punished for building a successful software development business, one that not only creates innovative software solutions, but also helps improve the health and wellbeing of children and families across the globe.** As you know, we began largely funded by federal SBIR/STTR grant funds (and matching support through ONE NC) and have successfully grown to be a primarily B2B funded company, providing unique and much needed software services to dozens of universities, non-profits, and research institutes. This is why the SBIR/STTR program provides seed funds, to help small businesses transition to independent business models.

I am reaching out to you to let you know what we are going through and to seek your help in how I can possibly urge Congress to help it's R&D companies sooner than later. With Q3 estimated tax payments just paid, and Q4 coming up in January, there is just so long 3C can hold out.

*National Institutes of Health and Department of Education SBIR/STTR portfolio company.*

## Dignify Therapeutics, LLC *Raleigh, NC*

### **Ed Bugard, PhD**

Chief Executive Officer  
Dignify Therapeutics  
Raleigh, NC



Dignify Therapeutics, LLC is a drug and medical device development company focused on treating incontinence in the elderly and neurologically impaired people. As one of the only small businesses in the world working specifically to improve bladder and bowel health for the elderly confined to assisted living facilities, it is imperative that our work continues, and we develop new treatments.

As an R&D company that will not realize any profit for many years, **the “Innovation Tax” resulting from Section 174 is devastating.** Our funding comes entirely from U.S. government grants (National Institutes of Health and Department of Defense), with an average funding of \$1.5 million/year. All funds are spent on research and development, and the fact that these funds are now considered “income” is unacceptable. Government grants do not include money to pay taxes on the funds provided by the government, and small government-supported businesses have no ability to pay these company income taxes.

In addition, Dignify Therapeutics is a limited liability company (LLC) taxed as a partnership. With this company structure, the “Innovation tax” is passed through to the individual LLC partners, forcing individuals to assume the tax liability of the company. Our **investors are responsible for a nearly \$700,000 tax bill for 2022** – and that includes backers that haven’t been involved with the company in years, leading to painful phone conversations. **Ask yourselves if you would personally accept paying the “income” tax levied on your employer. I doubt you would agree to that.**

*National Institutes of Health SBIR/STTR portfolio company.*

*\*\* This testimonial was also featured in The Business Journals:  
<https://www.bizjournals.com/bizjournals/news/2023/11/17/startup-taxes-section174-tax-code-research.html>*

## Ideal Medical Technologies, Asheville, NC

### Leon DeJournett, MD

Chief Medical Officer  
Ideal Medical Technologies  
Asheville, NC  
[www.idealmedtech.com](http://www.idealmedtech.com)



Dear Senator Tillis, I am writing to strongly encourage your support in rescinding changes to Section 174 of the Tax Code, which took effect for tax year 2022, that force small business receiving U.S. Government grant support to capitalize "Research & Experimentation" expenses. This will result in an effective "Innovation Tax" on small pre-revenue U.S. based startup businesses that are at the forefront of innovation in our country. Many of these small businesses will not be able to afford this tax bill, and thus will be forced into bankruptcy, effectively ending their cutting-edge research efforts.

I am an ICU physician and have been developing an artificial pancreas system for use in the ICU setting, that has the potential to save 200,000 lives per year and decrease U.S. healthcare costs by up to \$12 billion annually. I have received a \$1.9 million SBIR grant from the NIH to support these efforts. In a recent first-in-human study of my ICU-based artificial pancreas system, which uses AI-based glucose control software, we easily outperformed all existing artificial pancreas systems. The FDA has designated our artificial pancreas system as a Breakthrough Medical Device, as the FDA has still not approved any artificial pancreas systems for use in the ICU setting.

Despite the aforementioned positive results, **if Section 174 of the Tax Code is not changed, I will be forced to pay a \$380,000 tax bill on the \$1.9 million grant funds, and will most likely have to end all efforts to bring this AI-based artificial pancreas system to market.** *Think about that!* The U.S. Government will receive a one-time \$380,000 tax payment, but in so doing will end development efforts on an AI-based artificial pancreas system that has the potential to save 200,000 lives per year and decrease healthcare expenditures by up to \$12 billion annually. Your support in modifying Section 174 of the Tax Code is greatly appreciated.

*National Institutes of Health SBIR/STTR portfolio company.*

## Karamedica, Inc., *Raleigh, NC*

### **Andrew Crofton, PhD**

Senior VP of Corporate Strategy  
Karamedica, Inc.  
Raleigh, NC



I am the Senior Vice President of Corporate Strategy at Karamedica, Inc., a small business based in Raleigh, NC with employees in California, New York, and Ohio. Our company is very proud to have received an SBIR/STTR grant entitled “Microparticle Therapy for Cerebral Amyloid Angiopathy,” totaling \$3.1 million through a highly competitive peer review process, that has enabled our company to develop applications that may be helpful in the future treating CAA as well as Alzheimer’s Disease. In recent months, we have had positive scientific results with potential medical implications for treating neurodegenerative disorders that we are sharing with the National Institute on Aging.

Unfortunately, an unintended outcome of the 2017 Tax Cuts and Jobs Act’s amendment to section 174 that goes into effect for 2022 is that Research and Experimental expenditures must now be capitalized over a period of 5 years for domestic research activities. What this means for Karamedica is that we will have to pay taxes on income that is directly tied to our R&E expenses. In particular, our SBIR/STTR/STTR income in 2022 was \$1.2 million. While these funds have been fully expended on important biomedical studies, section 174 requires us to pay taxes on 90% of the R&E expenses associated with our grant award, with a tax liability approaching \$230,000. **This amount is devastating for our business, and will likely, short of immediate Congressional action, result in a likely bankruptcy filing for our company, shutting down a promising therapeutic approach for a number of neurological diseases.**

Our tax filing is due on April 15 and it is very important that the IRS immediately issue guidance that excludes companies such as ours from being liable for taxes that we cannot afford to pay.

*National Institutes of Health SBIR/STTR portfolio company.*

<https://www.bizjournals.com/bizjournals/news/2023/11/17/startup-taxes-section174-tax-code-research.html>

## Olfax Medical, Asheville, NC

**Jonathan Beckwith, MS**

CEO

Olfax Medical



My company, Olfax Medical, was ecstatic to learn that we were awarded a \$5.6M grant from the Department of Defense. Hearing the news was a “complete game changer for Olfax” as it seamlessly followed up on an NIH Phase I SBIR award to complete all pre-clinical

development for our novel migraine therapy. In addition to being a much-needed influx of capital, both the NIH and DoD programs (i.e. focus on rapid, non-addictive, pain management therapies) are 100% aligned with our product vision ... creating a match made in heaven scenario!

Our device and drug development activities are going according to plan. In addition to supporting ourselves, multiple contractors, and interns, we just set the wheels in motion to hire our first full-time employees. We’re even ahead of schedule and are beginning to plan for the next phase of clinical studies!

...we’ve just had a conversation with our CPA and heard devastating news. Per their interpretation of the newly enacted Section 174 code, they estimate we may owe more than \$400,000 in taxes in 2023 based solely on our grant funding (and even more in 2024 / 2025). This is even after application of all available R&D tax credits and small business deductions. As an LLC, these taxes will then flow directly to me and my partners creating an unfathomable personal tax obligation. An obligation that simply can’t be met considering we 1) have no other revenue, 2) cannot, per legislation, use grant funds to pay taxes, and 3) currently have no means of securing additional funds.

**If left as is, the result will not only be the loss of a grown company that is developing a product core to national wellbeing (i.e. developing an alternative to opioid use) ... personally, it will leave me and my partners at the brink of bankruptcy.** An outcome that I could never have imagined when we spoke of good news and great things to come earlier this year.

*National Institutes of Health SBIR/STTR program and Department of Defense portfolio company.*

## Smart Materials Solutions, Raleigh, NC

### **Stephen Furst**

Chief Executive Officer  
Smart Material Solutions  
Raleigh, NC



Smart Material Solutions makes products with renewable-energy and military uses. In 2022, the tax implications of Section 174 forced us to delay the purchase of capital equipment that we needed to seize the opportunity of upcoming SBIR funding. We used all of the company's available cash to pay much of our S-corp shareholders \$350,000 of tax liability. **This is on a company with \$1.1M of total revenue that would have otherwise recognized a \$90,000 loss**, as we're contractually obligated to spend all of the grant funding on R&D.

**In 2023, Section 174 will threaten our existence.** We no longer have the cash to weather a second year of this, and our bank, recognizing our duress and the fact that our 2022 income was "obviously not real," refused to loan us a single dollar despite 10 years of perfect credit.

Smart Material Solutions is largely funded by the Army and NASA. We develop scalable manufacturing of new "metamaterials" for national defense, space, and solar energy applications. We contribute to the US's manufacturing base for advanced materials in an industry that is largely dominated by China and other overseas powers.

For my part, as the majority shareholder in Smart Material Solutions, **my 2022 tax liability exceeded my take home salary from 2021 and 2022 combined.** As neither I nor the company has the cash to pay my liability, **I've already incurred more than \$20,000 of interest and penalties from the IRS.** These interest costs won't "unwind" as the R&E expenses are depreciated in future years.

*US Department of Defense, National Science Foundation, and NASA SBIR/STTR program portfolio company.*

*\*\* This testimonial was also featured in the Wall Street Journal:  
<https://www.wsj.com/politics/why-bipartisan-support-isnt-enough-to-change-this-tax-provision-a5ef8985>*

## Synoxa Sciences, Inc., *Raleigh, NC*

### **Joshua Pierce, PhD**

Founder and CEO  
Synoxa Sciences, Inc  
Raleigh, NC



We're a small biotech startup that is running exclusively on NIH SBIR funding to cover our R&D expenses. We have no other funds to cover our \$40k tax bill that in previous years would have been only a couple thousand dollars. Synoxa is driving forward critical work in developing new treatments for antimicrobial resistance, but the changes in the tax code will ultimately cause operations to cease unless they are reversed.

University startups and other small businesses that are driving innovation in the US are being crushed by these changes, completely countering the goals of the SBIR and STTR programs.

*National Institutes of Health SBIR/STTR program portfolio company.*

## Tavros Therapeutics, Inc., *Durham, NC*

### **Nikki Heron**

Chief Financial Officer  
Tavros Therapeutics



Due to the tax burden created by the recent changes to Section 174 of the tax code, our ability to hire and innovate has been greatly diminished. This legislative change has placed considerable strain on our fiscal resources and has limited our ability to advance our science, which could ultimately delay bringing our cancer drugs to market.

The primary consequence of this legislation is an increase in our 2023 tax liabilities of more than \$2M. We are a pre-clinical R&D company with our only revenue coming from an R&D collaboration with a partner. We have historically had net operating losses but we will have a significant tax burden due to the combined impact of the accelerated recognition of our upfront payment from the collaboration agreement (\$1M) and the amortization of R&D expenses (\$2M). The substantial tax bill has led to budgetary constraints that are impacting various aspects of our operations. Unfortunately, one of the most significant repercussions is our diminished capacity to expand our workforce.

The increased tax burden has compelled us to reevaluate our hiring strategy. We are a start-up company with 18 employees and our 2023 tax liability is now larger than our current annual payroll. Instead of hiring additional scientists, research associates and computational experts to further oncology research, we must allocate those funds to taxes. The budget constraints resulting from the elevated tax burden are hindering our growth potential. Our ability to bring in fresh talent and expertise is now curtailed, affecting our competitiveness and adaptability in the market.

A smaller workforce directly correlates with reduced innovation capabilities. With fewer resources dedicated to oncology research, development, and creative endeavors, our capacity to innovate and develop the most impactful cancer drugs is comprised. Innovation is a cornerstone of our success. The current financial constraints are impeding our ability to invest in the talent and projects necessary to maintain our edge in a challenging oncology market.

*National Institutes of Health SBIR/STTR portfolio company*

## Theia Imaging, Durham, NC

**Hafeez Dhalla, PhD MBA**

Founder and CEO

Theia Imaging



*How bad is this for your firm?*

Fatal. Without significant relief, this tax change will force us to shut down and each of the three owners will receive massive personal tax bills. **While for larger companies, the effect of this change is only one of timing (i.e. the deductions will come in future years), we do not have the resources to pay the immediate tax liability this creates.** There are no future years for us. We will be forced to close, and we will not be in business long enough to make use of the future deductions. What's worse, the immediate tax liabilities hit us at the personal level. In our case, about \$150,000 in additional taxes amongst the three owners. In order to maximize the utility of our grant dollars, the three owners drew less than \$100,000 total in salary last year, but we will receive tax bills that are more than double our take home pay.

*What is your firm doing (differently than in prior years) to meet its new Tax obligations?*

Praying. There is nothing else we can do. We are developing a unique medical device that will help doctors diagnose and monitor treatment of retinopathy of prematurity: a disease that causes blindness in premature infants. But because pediatrics is a sector of the healthcare economy that has long been neglected and under-reimbursed, traditional funding raises are not a viable option, and our company can only exist by the grace of government grants. **The TCJA turned those grants into poison pills. If this law isn't repealed by April 15th, we will have no choice but to shut down.**

*What is the size of your firm (i.e., how many people's livelihoods are affected by this)?*

There are three owners who are employees, two additional full-time employees, and several contractors. We had plans (and funding) to more than double our headcount this year, but that funding is now poisoned and effectively unusable.

*National Institutes of Health SBIR/STTR portfolio company.*

## Translational Imaging Innovations, *Hickory, NC*

**Eric Buckland, PhD, MS**

Founder and CEO

Translational Imaging Innovations

I have sent communications to Tillis, Budd, and McHenry (Catawba County). Only Tillis responded.

**This year added \$1M to my taxable earnings. Turned a Phase II SBIR into taxable income without offsetting expense.**

As a software development firm, this is a disaster.

*National Institutes of Health SBIR/STTR portfolio company.*



## QATCH Technologies LLC, Chapel Hill, NC

### Zehra Parlak, PhD

CEO and Co-Founder  
QATCH Technologies LLC



My company, QATCH Technologies, is working on a tool that can help pharma develop better drugs. Our innovation has been supported by NIH, NSF, and NIST SBIR grants, reviewed by leaders in the field. QATCH has 5 engineers working very hard to bring this product to market.

Because of the "Innovation Tax", our grant income is capitalized. QATCH is an LLC, and I am the majority owner, so a huge portion of this tax burden falls on me. It appears as if I made more than \$350k in 2022 and had to pay close to \$65k in taxes. In reality, I only made slightly more than \$65k, because I prioritized payroll for our employees over my salary. This payroll (biggest bucket in our grant budgets) is capitalized and I am penalized. **I had to use my family's emergency funds to pay this tax this year.** Maybe I should have let one employee go or reduced hours for everybody to give myself a \$65k raise and save for taxes. But it is just so wrong to even contemplate that when my team is working very hard. I could not do it.

If "Innovation Tax" becomes permanent, this will be fatal to a lot of small businesses and entrepreneurs, including us. We are already fighting a lot of things to build something good. If this situation is not fixed soon, many of us will go down without a fighting chance.

*National Institutes of Health SBIR/STTR, Department of Commerce, and National Science Foundation portfolio company.*

## North Dakota

Ernst and Young Economic Impact Estimate

**North Dakota:**

Will lose \$8,000,000 per year in R&D spending

Will lose \$11,000,000 per year in R&D-related wages

Will lose 130 highly compensated jobs

***Unless Section 174 is fixed.***

# Ohio

## Letter to Congress Co-signers

Zalfa Abdelmalek, Ph.D.	Scientific Officer	MC1R Ventures LLC
Jacob Matchuny	Senior Software Engineer	NLign Analytics
Robert N. Schmidt	Chairman	Cleveland Medical Devices Inc
Onas Bolton, Ph.D.	Founder & CEO	Octet Scientific, Inc.
Robert Arnoff	Founder and President	Quality of Life to The Nth Degree
Peter H. Gingras	CEO	Viscus Biologics LLC
Gareth Morris-Stiff MD Ph.D.	CEO	InCym Biopharma
Izabela Gierach	CEO, Co-Founder	Protein Capture Science
Zhiqing Cheng	President	Innovision, LLC.
Scott L. Swartz, Ph.D., Founder and CTO	Chief Technology Officer	Nexceris
Marc F. Pelletier, Ph.D.	Chairman & CEO	Gardiner Healthcare Acquisitions Corp
Andrew Graf	CPO	TeamDynamix
Aaron Crookes	CEO	Apricity Robotics
Dustin Heldman	President and COO	Great Lakes NeuroTechnologies Inc.

## Ernst and Young Economic Impact Estimate

### **Ohio:**

Will lose \$207,000,000 per year in R&D spending

Will lose \$295,000,000 per year in R&D-related wages

Will lose 3457 highly compensated jobs

***Unless Section 174 is fixed.***

# Oklahoma

## Letter to Congress Co-signers

Vibhudutta Awasthi	President and CEO	HEXAKIT, INC.
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## Ernst and Young Economic Impact Estimate

### **Oklahoma:**

Will lose \$21,000,000 per year in R&D spending

Will lose \$30,000,000 per year in R&D-related wages

Will lose 350 highly compensated jobs

***Unless Section 174 is fixed.***

# Oregon

## Letter to Congress Co-signers

Michele O'Hara	Executive Director	Opportunity Knocks
Tricia Baker	Marketing Director	Tricia Baker Consulting
Mr. John Bicknell	CEO	More Cowbell Unlimited, Inc.
Jiri Sklenar, Ph.D.	CEO	narnar, LLC
Jeanne Hahne, RN, MSN	CEO	FaceView Mask, LLC
Ward Shalash, Ph.D.	Principal Scientist	Lazarus 3D, Inc
Michael Richards, MS	COO	Earthen Carbon LLC
Sandra Shotwell, Ph.D.	CEO	Elex Biotech Inc
Shawn Busse	CEO	Kinesis
Jennifer Wells, Ed.D.	CEO	LATERAL.systems
Catherine M. Kavanaugh, MA	Founder / Lead	Screen360.tv, Inc.
Anna Brown, Ph.D.	CEO	Stark Street Materials
Nicholas Bird, CPA, CIA	CFO	Decile Group

## Ernst and Young Economic Impact Estimate

### **Oregon:**

Will lose \$205,000,000 per year in R&D spending

Will lose \$292,000,000 per year in R&D-related wages

Will lose 3428 highly compensated jobs

***Unless Section 174 is fixed.***

## FaceView Mask™ LLC, Medford, OR

### Jeanne Hahne, RN MSN

Founder and CEO

FaceView Mask™ LLC



I want to express myself clearly about this law that has previously allowed us to deduct our research and experimental costs. It really hit me hard this year and made me want to give up.

The National Institute of Health/National Institute of Nursing Research gives us funding to push science forward and make the world a better place. They provide guidance as we do our research, start our companies and make scientific breakthroughs. I'm so grateful for their support and encouragement.

They bank on our passion and hard work to make fruitful future outcomes and (hopefully) increase economic development.

If we are financially penalized in the early stage development of our innovation, when there are so many highs and lows, it will be hard to continue.

**The government claims to prioritize innovation and then puts in place legislation that is devastating to dedicated entrepreneurs.** This goes for small businesses and for big companies too. The system was working, why change it?

I'm in the prototype stage of the first clear N95 mask that could help many people and make communication, compassion and connection easier. Please help support people like us who care about making a difference in the world.

*National Institutes of Health SBIR/STTR portfolio company.*

# Pennsylvania

## Letter to Congress Co-signers

Caroline Hoedemaker, MBA, PE	CEO	Raven Biomaterials LLC
Jeremy Elser, Ph.D.	CEO	Ship of Theseus
Orna Azulay	President	Abington Speech Pathology Service
Orna Azulay	CEO	RemoteSpeech LLC.
Ira C. Spector, Ph.D., MBA	CEO	SFA Therapeutics, Inc
Andrew Tsourkas, Ph.D.	Founder	AlphaThera, Inc
John Nosek, Ph.D., Captain US Navy (ret.)	President	Guiding Technologies Corp.
Senthil Sambandam ,	CEO & Founder	Phanes Biotech
Dawnmarie DeFazio	Director, Clinical Research & Regulatory Affairs	AHNRI
Hongzhang He, Ph.D.	CEO	Captis Diagnostics
Lawrence J Zana	President and CEO	Consegna Pharma Inc.
Jonathan Kaufman	Chief Executive Officer	Lipella Pharmaceuticals Inc.
Dr. Ir. Michel Nederlof	CEO	Quantitative Imaging Systems
Justin Schwartz	CEO	Lupine Materials & Technology
Alexander Gutsol, Ph.D.	Chief Scientist	RedShift Energy, Inc.
Gerald A. Ephault	Executive in Residence (Ret.)	Allan P Kirby Center For Free Enterprise And Entrepreneurship
Gregory Fridman, Ph.D.	CEO	AAPlasma LLC
Thomas Castner	Co-founder and COO	FlashPCB
Caleb Meredith, Ph.D.	Co-founder and CEO	Chromatir Technologies

## Ernst and Young Economic Impact Estimate

### **Pennsylvania:**

Will lose \$362,000,000 per year in R&D spending

Will lose \$516,000,000 per year in R&D-related wages

Will lose 6058 highly compensated jobs

***Unless Section 174 is fixed.***

# Rhode Island

## Letter to Congress Co-signers

Nicholas Napp	CEO	Xmark Labs, LLC
Arijit Bose	Chief Scientific Advisor	Audiance
Stephen N Cummings	Vice President	GrowthLab Financial

## Ernst and Young Economic Impact Estimate

### **Rhode Island:**

Will lose \$27,000,000 per year in R&D spending

Will lose \$39,000,000 per year in R&D-related wages

Will lose 445 highly compensated jobs

***Unless Section 174 is fixed.***

# South Carolina

## Letter to Congress Co-signers

Stanley Hoffman, Ph.D.	President and CEO	FibroTherapeutics, Inc.
Julie Hussey	Angel Investor	Venture South, Charleston Area Angel Partners, and VITALIZE Angels
Stephen Duncan	Professor	Gruthan Bioscience
Nathan Dolloff, Ph.D.	CSO	Leukogene Therapeutics, Inc
Kelvin Brockbank, Ph.D.	CEO	Tissue Testing Technologies LLC
Jeffrey DiMaio, Ph.D.	CEO	Tetramer Technologies

## Ernst and Young Economic Impact Estimate

### **South Carolina:**

Will lose \$37,000,000 per year in R&D spending

Will lose \$53,000,000 per year in R&D-related wages

Will lose 621 highly compensated jobs

***Unless Section 174 is fixed.***

## FibroTherapeutics, Inc., Charleston, SC

### **Stanley Hoffman, PhD**

Medical University of South Carolina  
Co-Founder and CEO  
FibroTherapeutics, Inc.



Up until now, companies that received STTR and SBIR grants would have a very little, if any, income tax liability because they would have no profit because the money they received from the government would exactly match their expenses. This is good for innovation because all the funds received can go to R&D expenses.

While there may have been a problem that Congress was addressing, the Tax Act of 2017 has inadvertently threatened the existence of the STTR/SBIR program by stating that R&D expenses must be amortized over a 5-year period starting 2022. This means that in the current year most of the money received as a cost reimbursement by a company with an STTR or SBIR grant would be taxable. These companies do not have this money in reserve and they do not have the money in the budgets they submitted when requesting government funding.

In my own personal case, in fiscal 2022 my company, FibroTherapeutics, Inc., received \$229,000 in cost reimbursements. Without a change in the law, most of this money would be taxable at a 21% rate. The company cannot pay this money and would have to go bankrupt and thus would never be able to amortize the rest of its expenses. This is not what Congress had in mind when it authorized and re-authorized the STTR/SBIR program! This, no doubt, is also not what Congress had in mind when it passed the Tax Act of 2017.

Therefore, I am pleading with you to change the law so that companies receiving STTR and SBIR grants can deduct all of their R&D expenses in the fiscal year in which they were generated.

*National Institutes of Health SBIR/STTR portfolio company.*

## Guthran Bioscience, *Charleston, SC*

### **Stephen Alexander Duncan, PhD**

Endowed Chair, SmartState Endowed Chair in Regenerative  
Medicine

Medical University of South Carolina

Founder, Gruthan Bioscience



I was a big fan of the SBIR/STTR/STTR programs throughout the NIH and held an STTR from NHLBI. However, the amendments made to the Tax Cuts & Jobs Act of 2017 last year changed the longstanding deduction for R&D expenditures to a mandatory five-year amortization for domestic R&D. This includes 'income' from STTR/SBIR/STTRs made to both the company and the partner institution. Since most spinoff companies rely solely on federal grants and are LLC's, the tax owed on these federal contracts is levied upon us as individuals.

I personally paid \$30K in taxes because of the STTR funding we had received from NHLBI. We can only be grateful that we were not in a phase 2 of funding, which we were about to apply for. In addition the changes to the Jobs Act caused a rupture in my partnership with my CEO who as a partner was also subjected to these taxes and so the company lost its CEO. Finally, since any expenditures on the STTR were now taxed it left no mechanism for us to move forward and the ruling effectively bankrupted our company Gruthan Bioscience, which we have now had closed.

*National Institutes of Health SBIR/STTR portfolio company.*

# South Dakota

Letter to Congress Co-signers

Joni Ekstrum	Executive Director	South Dakota Biotechnology Council
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Ernst and Young Economic Impact Estimate

**South Dakota:**

Will lose \$4,000,000 per year in R&D spending

Will lose \$7,000,000 per year in R&D-related wages

Will lose 72 highly compensated jobs

***Unless Section 174 is fixed.***

# Tennessee

## Letter to Congress Co-signers

Roger Young, MD, Ph.D	CMO	PreTeL, Inc.
Caleb Alexander	CEO	DayLyte, Inc.
Walter Cromer	Founder	Eden Concepts LLC
Philip Stuckey, Ph.D.	CEO	FC Renew, LLC
David Murray	Founder and President	Statheros LLC
Evan Drumwright	CEO	Dextrous Robotics
Idicula Mathew	CEO	Hera Health Solutions
Erika Dillard, MD, Ph.D.	CEO	PopCheck Technologies, Inc
Dr. Anna Douglas, Ph.D.	Co-founder and CEO	SkyNano
Maria Gomes-Solecki, DVM	President and CEO	Immuno Technologies, Inc

## Ernst and Young Economic Impact Estimate

### **Tennessee:**

Will lose \$45,000,000 per year in R&D spending

Will lose \$63,000,000 per year in R&D-related wages

Will lose 752 highly compensated jobs

***Unless Section 174 is fixed.***

# Texas

## Letter to Congress Co-signers

T. Craig Benson	CEO	4E Therapeutics, Inc.
Rebecca Johnson	Consulting Arborist	Arborholic, LLC
Albert Baez	President	Blended Sense
Anil Kottam, Ph.D.	Scientist	Bridgesource Medical
Mardo Iknadiossian	CEO	ChainSkope
Matthew Ahle	VP and CTO	Colliga Apps Corp.
Pepper Looney	Controller	Fathom5 Corporation
Cherie Werner	Founde	FIESTA Community
Sunny Hunt	CEO	Hunt Interaction
Emerson Smith	CEO	Pushnami
Elisabet Rosas, Ph.D.	CEO	Quantum Med
Cheryl Halbert	CEO	RepSource
William C. Stone, Ph.D.	CEO	Stone Aerospace, Inc.
Ari Salafia	Founder & CEO	TaxTaker
Michael Klar, CPA	Tax Manager	Walker Glantz
Season Wong, Ph.D.	Co-Founder and President	AI Biosciences, Inc.
Raimund Ober, Ph.D.	President	Astero Erado Inc.
Sandra Saldana, Ph.D., MBA	CEO & Co-Founder	Alva Health, Inc.
Abigail Massey, PE, PMP	Director - Tax Incentives	Calvetti Ferguson
Rawand Rasheed, Ph.D.	Chief Executive Officer	Helix Earth Technologies, Inc.
Omar Mohtar, MD, Ph.D.	CEO	ParaDocs Health
Phillip Lentz	Founder and Researcher	Unspace, LLC
Robert Bent, MS, MBA	Chief Financial Officer	7 Hills Pharma Inc.
Nicolas Anzellini	CEO	Cardiost
Bryan Sutton, Ph.D.	Professor	Texas Tech University Health Sciences Center
Adam Hansen, Ph.D.	CEO	Geneial
George W. Jackson, Ph.D.	Founder & CEO	Base Pair Biotechnologies
Rashim Singh	President	Sanarentro LLC
Casey Coppersmith, CPA	CFO	Smarter Reality, LLC
Shoba Sharma	Co-founder	SyгнаMap
Catherine Ludlum Reed	Shareholder	Ludlum Measurements, Inc.
Alec Finch, M.Ed	Director of Operations	J. Hall & Company

Rashim Singh	President	Sanarentero LLC
Jonathan Baize	President	RanchCheck Inc.
Jeff Wright PE	Staff Engineer	Progressive Engineering Services, LLC
Ashok Gowda, Ph.D.	CEO	Biotex, Inc.
Suzanne Mouton-Odum, PhD	President	PsycTech, LLC
Charles Sobey	President	ChannelScience

Ernst and Young Economic Impact Estimate

**Texas:**

Will lose \$484,000,000 per year in R&D spending

Will lose \$690,000,000 per year in R&D-related wages

Will lose 8096 highly compensated jobs

***Unless Section 174 is fixed.***

# Utah

## Letter to Congress Co-signers

Spencer Madsen, MS	CEO and Co-founder	AccuBreath Inc.
Jim Steppan	VP of Research and Development	HiFunda, LLC

## Ernst and Young Economic Impact Estimate

### **Utah:**

Will lose \$93,000,000 per year in R&D spending

Will lose \$133,000,000 per year in R&D-related wages

Will lose 1561 highly compensated jobs

***Unless Section 174 is fixed.***

# Vermont

## Letter to Congress Co-signers

Jeff Glover	Owner	Bright Way Window Cleaning
Albert Key, AFF. M. ASCE	Vice President	DeepRoot Green infrastructure, LLC
Greg Fanslow	President	Blue Tree Analytics
Spencer Newman	CFO	Gmi
Zachary Dunn	Owner	Painting With Purpose LLC
Jill Coombs	Account Manager	Retail Control Systems
Amanda Hoffman	Development Director	Girls on the Run Vermont
Lou Krieg	President	Green Mountain System Works LLC
Andrea Morgante	Business Owner	Andrea Morgante Landscape Services
Debra Bangsund	Sales Consultant	Mary Kay Inc
Jayne Thibeault	LCSW	MAUSD
Marie Ambusk	CEO   FOUNDER   PRINCIPAL INVESTIGATOR	TREES ROI LLC
Cairn Cross	Co-Founder	FreshTracks Capital
Jim Crook	Managing Partner	JHCapital, LLC
Gail M Murphy	Owner	WiredWomen
Ashley Wurth	Owner	Ashley Michaela Design
Louise Coles	Senior Engineer - Retired	IBM -Retired
Michael Keller	Retired CPA Partner	Retired
Gordon Knox	President	Toby Knox & Associates, LLC
Jeffrey L. Spees, Ph.D.	Co-founder and Chief Scientific Officer	Samba BioLogics, Inc.
Katherine Werner	Owner, Publisher, Designer	RSBPress
Jack Glaser	President	MBF Bioscience

## Ernst and Young Economic Impact Estimate

### **Vermont:**

Will lose \$7,000,000 per year in R&D spending

Will lose \$11,000,000 per year in R&D-related wages

Will lose 124 highly compensated jobs

***Unless Section 174 is fixed.***

## TreesROI, Hinesburg, VT

**Marie V. Ambusk**  
Founder and CEO  
TreesROI



I am reaching out with a pressing concern about the “Research and Experimentation” (R&E) tax policy change that will stifle American innovation and compromise our nation’s leadership in science, technology, and innovation.

This problem affects my tech startup **TreesROI™** and the product development of **INSIGHT™**, as we are in the final stages of the National Science Foundation’s (NSF) Small Business Innovation Research (SBIR) pre-award negotiations. The award is critical to our R&D efforts ... but, this tax problem creates a hardship that could end our dreams! (it is unfair and illogical!)

Previously, the full grant amount would have been offset by all expenses incurred during the same year. If we are favored with an award, we will receive \$275,000 of income in 2024 but only 10% of the expenses are allowed in year 1. Therefore, the taxable income for TreesROI (me) will be \$247,500 ( $\$275 \times 90\%$ ) in 2024 ... the expenses will be fully amortized over 60 months. (I know ... it’s outrageous!)

With INSIGHT™ we can help fix tree roots to prevent them from strangling the young trees to death ... but we can not fix the stranglehold of Section 174 on innovation without your help.

*National Science Foundation SBIR/STTR portfolio company.*

# Virginia

## Letter to Congress Co-signers

Wei Zhang, Ph.D.	VP of Research and Development	Zynnovation LLC
Zhengrui Xu	CTO	Fermi Energy, Inc
Haeley Wotnosky	CEO	Epiderma
Sivanesan Dakshanamurthy, Ph.D., MBA	CSO	Diviner
Tony Ma, MS	President	Benten Technologies, Inc.
Eric Blatt	Partner	Scale LLP
Cameron Hamilton	Managing Director	Stout
Gerard Eldering, MBA	CEO	Perfusion Medical Inc
Tim Van Meter, PhD	CSO	BRAINBox Solutions, Inc.
Will Jordan-Cooley, MA	CEO and Founder	Pangea Chat
Caron Trumbo	VP Operations	Virginia Bio
John Ure, JD, LL.M.	Partner	Cherry Bekaert Advisors, LLC
Don Ferreira, Ph.D.	Chief Scientific Officer - Founder	Eco Assets Exchange
Bryan Koene, Ph.D.	Director, Materials Research	Luna Labs USA, LLC
Nikhil Shenoy	CEO	Colvin Run Networks Inc.
Justin M Selfridge, Ph.D.	Founder and CEO	Devorto

## Ernst and Young Economic Impact Estimate

### **Virginia:**

Will lose \$73,000,000 per year in R&D spending

Will lose \$104,000,000 per year in R&D-related wages

Will lose 1217 highly compensated jobs

***Unless Section 174 is fixed.***

# Washington

## Letter to Congress Co-signers

Bob Snyder, Ph.D., MBA	Cofounder and CEO	Proteios Technology, Inc.
Max Ismailov, Ph.D.	Founder and CEO	Rocket Propulsion Systems LLC
Robert Masse, Ph.D.	CEO	Astrolabe Analytics, Inc.
Nicholas A. Geisse, Ph.D.	CEO	Curi Bio, Inc.
Tanya Eng-Aquino	VP for Finance and Operations	Lyssn.io, Inc.
Christopher Sims, M.D.	Founder Piccolo Biosystems, Inc.	Professor University of Washington
Michael Croix	CEO	SunFly Brands, Inc.
Sunil Koduri	CTO	Transparent Path spc
Neil Fanger, Ph.D.	President and CEO	Virtici LLC
Alexa Bednarz	CEO	Eco-Shelter Inc.
Rajen Shah	CEO	GraySkyTech, Inc.
Paul Gilbert, MBA	CEO	HealthRhythms
Benjamin Strom, Ph.D.	Co-founder and CTO	XFlow Energy Company
Andrew Couillard	Controller	Syntrix Biosystems, Inc
Michael Lau	President	Sensoriis, Inc.

## Ernst and Young Economic Impact Estimate

### **Washington:**

Will lose \$617,000,000 per year in R&D spending

Will lose \$878,000,000 per year in R&D-related wages

Will lose 10316 highly compensated jobs

***Unless Section 174 is fixed.***

## Virtici LLC, Seattle, WA

**Neil Fanger, PhD**  
CEO  
Virtici



The impact of Section 174 on our innovation economy is a matter of grave concern. If left unaddressed, it could lead to the bankruptcy of many of our Nation's most promising R&D firms, which would be a significant setback for our economy. As China's investments in R&D are accelerating, we cannot afford to fall behind.

The lack of clarity surrounding the interpretation of the new tax law is a major issue. Despite copious expert input, we still have little confidence in how to interpret these changes. The "Big 4" accounting firms made a guess as to how to interpret the new tax law, but nobody is clear, and for many of us, it has the potential to lead to bankruptcy. This has been a known problem with TCJA since 2017, and all the experts said Congress would fix it. The inability to fix it during the last 5 years has led to weeks of wasted time and large accounting bills, even if they now fix it retrospectively. I estimate that it will cost \$40k in FTE and accounting just to respond to the uncertainty. If that's typical across the NIH and DOD SBIR portfolios, we need to start adding zeros.

We have been in business for 12 years, and while we could survive, it would wipe out our reserves. Further, as part of our business, we help other biotechs and med device startups in our region. **Based on my first-hand experience and NIH and DOD data, a large majority of these seed-stage companies - the future of our Nation's innovation economy - will not survive. Reasonable estimates indicate that at least 5,000 grant-funded (i.e., very high merit) companies will go under.**

Senators Hassan and Young have a solution, and we need Congress to act. The damage caused by inaction is already considerable. It's better late than never, and we must fix this mess now – before Nov. 17th - before it's too late.

*National Institutes of Health SBIR/STTR portfolio company.*

# West Virginia

## Letter to Congress Co-signers

Madhava Syamlal	CEO	QubitSolve Inc.
Erienne Olesh	Executive Director, Office of Student and Faculty Innovation	West Virginia University

## Ernst and Young Economic Impact Estimate

### **West Virginia:**

Will lose \$5,000,000 per year in R&D spending

Will lose \$7,000,000 per year in R&D-related wages

Will lose 84 highly compensated jobs

***Unless Section 174 is fixed.***

# Wisconsin

## Letter to Congress Co-signers

Faraz Choudhury, Ph.D.	CEO	Immuto Scientific
Randolph Ashton, Ph.D.	Co-founder and CEO	Neurosetta LLC
Chris Dockendorff, Ph.D.	CSO and CEO	Function Therapeutics, Inc.
David Braddock, Ph.D.	President	OSEMI Inc
Richard Morris, BSEE	Owner	IF LLC
Paul Wickre, MS	Co-founder and CTO	Voximetry

## Ernst and Young Economic Impact Estimate

### **Wisconsin:**

Will lose \$142,000,000 per year in R&D spending

Will lose \$204,000,000 per year in R&D-related wages

Will lose 2382 highly compensated jobs

***Unless Section 174 is fixed.***

## Neurosetta, *Madison, WI*

### **Randolph Ashton, PhD**

Co-Founder and CEO

Neurosetta



Neurosetta, which is funded 100% by STTR R42ES033912 with no other profit yet, now has a tax burden of ~\$75K instead of ~\$0, as would have been the case in prior years. As an LLC, the tax burden flows directly through to the co-founders, who have largely been volunteering their time working hard to translate technology that advances NIH/NIEHS (and humanity's) mission. **This "innovation tax" is an untenable situation for Neurosetta and the co-founders, and could cause Neurosetta's demise wasting millions of dollars of investment by the EPA, NINDS, and NIEHS** to develop and bring RosetteArray technology into the commercial regulatory and biotech sector.

*National Institutes of Health SBIR/STTR portfolio company.*

# Wyoming

## Letter to Congress Co-signers

Christoph Geisler, PhD	CEO and Founder	Unlocked Labs Inc.
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## Ernst and Young Economic Impact Estimate

### **Wyoming:**

Will lose \$5,000,000 per year in R&D spending

Will lose \$7,000,000 per year in R&D-related wages

Will lose 90 highly compensated jobs

***Unless Section 174 is fixed.***