



# Investment Crowdfunding: A Proven Engine for Small Business Growth and Job Creation

*A Policy Proposal to Expand Access to Capital and Foster Economic  
Innovation*

## EXECUTIVE SUMMARY

As we enter the final stages of the 2024 election season, the economy continues to dominate political discussions. Both parties have made the economy a central talking point, but now is the time for them to sharpen their focus on America's true job creators and innovators—our small businesses and startups. These entrepreneurs form the backbone of the U.S. economy, driving job creation, innovation, and economic growth.

Investment crowdfunding allows everyday Americans to invest in these businesses through online platforms, democratizing access to financial opportunities traditionally reserved for the wealthy. Unlike traditional methods of raising capital, which often exclude small investors, investment crowdfunding empowers all Americans to invest in early-stage companies, creating a new generation of "**investomers**"™—investors who are also loyal customers and advocates for the businesses they support.

Created under the bipartisan **JOBS Act of 2012**, investment crowdfunding has proven to be a powerful tool for economic growth, raising over \$2.5 billion from more than 2 million investors and helping Main Street businesses thrive. With its focus on job creation, supporting diverse entrepreneurs, and expanding access to capital, investment crowdfunding presents an immediate and bipartisan solution to the economic challenges facing the nation.

In this critical moment of decision for voters, both campaigns can seize the opportunity to champion America's job creators by expanding investment crowdfunding and ensuring that businesses in every corner of the country have the financial support they need to grow and succeed. Through targeted public and private investments, including a **\$1B debt fund and a \$1B equity fund**, we can amplify the success of this initiative and continue to support innovation and job creation nationwide.

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## Introduction

Small businesses are the backbone of the American economy, but many face significant challenges when it comes to securing the capital they need to launch and grow. Vice President Harris has proposed several initiatives to support small businesses, including the creation of **business incubators, innovation hubs**, and a goal of **25 million new small**

**business applications** over the next four years. While President Trump plans to **impose tariffs on imported goods** and **cut the corporate tax rate to 15%**.

While these proposals are promising, **access to early-stage capital is the biggest challenge**. Traditional sources of financing, such as venture capital and bank lending, are not accessible to many businesses, particularly those in rural areas (**swing states**) or owned by women and minorities. This is where **investment crowdfunding** comes in as a solution, providing immediate, flexible capital to businesses that need it most.

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### **What is Investment Crowdfunding?**

Investment crowdfunding allows everyday Americans to invest in startups and small businesses through regulated online platforms. Established under the **JOBS Act**, the legislation was designed to reduce regulatory barriers, allowing small businesses to raise funds from non-accredited investors. Over \$2.5 billion has been raised for pre-IPO startups, helping Main Street businesses across the USA in diverse industries.

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### **How Investment Crowdfunding Works**

Investment crowdfunding is a regulated process that allows everyday individuals to invest in startups and small businesses through online platforms. Created under the **JOBS Act of 2012**, this form of crowdfunding democratizes access to early-stage investment opportunities, which were traditionally reserved for wealthy individuals and institutional investors.

Key aspects of investment crowdfunding include:

1. **Regulated Platforms:** All investment crowdfunding must occur through SEC-registered platforms, known as **funding portals**, which are regulated by both the SEC (Securities and Exchange Commission) and **FINRA** (Financial Industry Regulatory Authority). These platforms ensure that both businesses and investors follow strict compliance rules, protecting the integrity of the process.
2. **Limits on Raising Capital:** Businesses can raise up to **\$5 million per year** through investment crowdfunding under **Regulation Crowdfunding (Reg CF)**. This allows a wide range of businesses, from startups to established firms, to access capital from a large pool of investors.
3. **Investor Protections:** To protect individuals, especially non-accredited investors, there are limits on how much they can invest annually based on their income and net worth. This ensures that people are not risking more than they can afford.
4. **Transparency:** Companies raising capital through crowdfunding must provide detailed disclosures, including financial statements, descriptions of the business,



and risks involved. These are filed with the SEC and available to investors before they commit any funds, ensuring full transparency.

This regulated process ensures that investment crowdfunding is a secure and structured way for the government to support small businesses, without unnecessary financial risk.

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### **The Case for Expanding Investment Crowdfunding**

Small businesses account for nearly **half of U.S. employment** and have created **55% of new jobs** since 2013. However, under-capitalization remains a significant challenge. Crowdfunding offers a direct route to capital that doesn't rely on traditional lenders, venture capitalists, or government grants.

#### **Trump's Influence**

The Trump campaign's emphasis on reducing corporate taxes, reinstating **100% bonus depreciation** for businesses investing in tangible assets, and imposing tariffs to encourage domestic manufacturing align well with the goals of investment crowdfunding. These measures would provide additional incentives for American startups, particularly in manufacturing sectors, to raise capital and grow domestically.

Additionally, Trump's plan to eliminate taxes on Social Security benefits could provide more disposable income for entrepreneurs who are using those benefits as part of their income during their early years of incorporation. However, entrepreneurs should be mindful of how their business earnings may impact their Social Security benefits, particularly if they are under full retirement age.

#### **Harris' Influence**

Vice President **Harris' proposals** to support women and minority entrepreneurs through government contracts align with the data that **40% of crowdfunding raises** are already going to these groups. Additionally, her proposal to **award one-third of federal contracts** to small businesses will support diverse entrepreneurs in accessing both capital and opportunities for growth. And her proposal to provide 1 million forgivable loans to Black entrepreneurs addresses the access to capital issue but at only \$20,000 per entrepreneur when they typically require more capital.

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### **Why Investment Crowdfunding is a Better Solution for Startups**

1. **Immediate Access to Capital:** Unlike Harris' proposed \$50,000 startup deduction, which benefits businesses once they become profitable, investment crowdfunding provides immediate capital. **Trump's proposal to lower corporate taxes** can further boost the impact by reducing operational expenses, giving startups more cash flow but it isn't a cash injection that most businesses need up front.

2. **Tackling Under-Capitalization:** Both Harris and Trump agree that **reducing red tape** is essential to helping small businesses grow. Trump's proposals to reduce federal regulations and **restore the 2017 Tax Cuts and Jobs Act (TCJA)** business tax provisions will create a more favorable environment for crowdfunding efforts, while Harris' incubators will offer crucial support for early-stage businesses.
3. **Supporting Women and Minority Entrepreneurs:** Harris' proposal to award government contracts to diverse entrepreneurs as well as 1 million forgivable loans to Black entrepreneurs aligns with crowdfunding's success in funding underrepresented groups. Crowdfunding's ability to bypass traditional venture capital—where only **2% of funds go to women and minorities**—makes it a crucial tool for leveling the playing field.
4. **A Proven Jobs Engine:** Both Harris and Trump campaigns have focused on job creation. Investment crowdfunding has already contributed to over **500,000 direct and indirect jobs**, with even greater potential through co-investment funds. As Trump proposes to boost U.S. manufacturing and jobs through tariffs, this can work in tandem with crowdfunding by channeling funds into domestic businesses that are poised to benefit from tariff protections.
5. **Strategic Government Co-Investment:** By co-investing through the proposed equity and debt funds, the government is not merely giving away money. Instead, it is strategically investing alongside the public in businesses that have already demonstrated growth and potential. This amplifies the success of proven companies while minimizing financial risk, as it leverages market-driven investment decisions and performance data from crowdfunding platforms.

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## Proposed Policy Changes

1. **Create a \$1B Equity and \$1B Debt Co-Investment Fund:**
  - By co-investing alongside the American public in businesses raising capital through crowdfunding platforms, this fund would ensure that high-potential startups receive the capital they need to grow. This supports **both Harris' and Trump's objectives** of fostering job creation, strengthening domestic industries, and driving innovation. For Harris, it aligns with her focus on **incubators and innovation hubs**, while for Trump, it boosts **domestic manufacturing** and provides capital to small businesses that are crucial for building a strong economy.
2. **Tax Incentives for Investors:**
  - Introducing tax incentives that allow investors to write off up to 100% of their investment in the year they make it (similar to the UK model) would de-risk investments and encourage broader participation in crowdfunding campaigns. For **Harris**, this would accelerate capital flow into startups, promoting

economic innovation. For **Trump**, this complements his proposed extension of **corporate tax cuts** and aligns with his pro-growth, pro-business platform, offering immediate financial benefits for investors supporting small businesses.

### 3. Partnership with Venture Funds:

- By partnering with venture funds that leverage **AI** to help identify promising businesses and de-risk investment crowdfunding campaigns (by performing diligence on the offerings), both parties can drive capital into startups that are more likely to succeed. For **Harris**, this partnership aligns with her goal of supporting **diverse and innovative businesses**, ensuring that high-potential companies receive the support they need to scale. For **Trump**, this partnership would help streamline investments into **manufacturing and other priority sectors**, contributing to his goal of making the U.S. a **manufacturing superpower**.

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### How It Will Work

- **Co-Investment Funds:** The \$1B funds would co-invest alongside the public in Reg CF crowdfunding campaigns, ensuring high-potential startups receive necessary capital.
- **Leverage AI:** Using AI, select venture funds will evaluate crowdfunding campaigns, identifying businesses likely to succeed and avoiding those likely to fail.
- **Established Conduits:** Venture funds already working with crowdfunding platforms can channel investments quickly, avoiding delays and ensuring immediate support for small businesses.

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### Expected Economic Impact

Investment crowdfunding has proven to be a powerful economic multiplier, contributing over **\$19.7 billion** to local economies. With additional support, this impact is expected to more than double, supporting **Main Street businesses** in both urban and rural areas.

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### Conclusion: A Bipartisan Path to Capital Access and Economic Stability

This proposal leverages **Trump's economic policies** on tax cuts and domestic manufacturing with **Harris' focus** on fostering diverse entrepreneurship and innovation. By implementing a **\$2B co-investment fund**, this bipartisan initiative ensures that capital flows strategically into key industries, creating jobs, fostering innovation, and securing America's small business future.

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### **About Crowdfund Capital Advisors**

Crowdfund Capital Advisors (CCA) was founded by pioneers of the investment crowdfunding industry, Sherwood Neiss and Jason Best, who played an instrumental role in shaping the **JOBS Act** and crafting policies that democratized access to capital for entrepreneurs. CCA is renowned for its **data-driven research** and insights into the evolving crowdfunding landscape, providing key industry stakeholders and policymakers with comprehensive reports and analysis. With their deep industry expertise, the founders continue to actively advocate for investment crowdfunding and advise on regulatory developments that ensure its growth and success. Their leadership and research have made CCA an essential voice in **empowering entrepreneurs** and driving innovation in capital formation.

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