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Jon Cross State Representative

Thank you, Representative Lanese. Chairman Edwards, Vice-Chair Powell, Ranking Member Upchurch, and my colleagues on the Ohio House Economic and Workforce Development Committee, thank you for allowing me to testify on House Bill 174, a bill that attracts Venture Capital Firms to Ohio.

My joint sponsor has touched on why this bill is so important right now while investors are leaving the coasts to go to other business-friendly states.

Using 2019 total venture capital dollars raised, every 1% in market share gained represents \$505 million in additional VC raised in Ohio. The more market share we can gain, the more dollars will be invested into our workforce and to our community. We need to not only invest in Ohio but incentivize others to come here in invest. There is a movement away from the coasts and we need to be a player in that movement.

We need to incentivize investors to come to Ohio. Nearly all of the market share I have discussed has come from one Ohio venture capital firm. The firm has invested \$249.9 million across 16 companies based in Ohio since 2013. \$2.4 billion has been raised in follow on funding from investors outside the central Ohio region. Additionally their average salary for employees is \$120,000. This bill would incentivize others to move their base here and hire employees throughout the state with these high wages. Adding two or three similar firms could have a dramatic impact in on Ohio's venture capital ecosystem and our overall economy.

This piece of legislation is would only take affect for investor's based in Ohio, companies that have a significant management stake to their operating companies. There is no upfront money until they have invested their time and money into our workforce and communities.

The bill analysis provides an in-depth review of how the legislation works and who qualifies for deduction. To recap, the following must be true for the VCOC to be eligible for the deduction:

1. An eligible Ohio-based VCOC (venture capital operating company) that invests at least 50% of its assets in operating companies in which the fund has direct management rights.
2. The VCOC must apply to the Director of Development Services at have the following requirements:
 - a. Manage or maintain capital commitments of, at least \$50 million in capital commitments.

- b. At least two-thirds of its managing and general partners must be Ohio residents.
3. After receiving the application, the Director has 60 days to review and notify.
4. Once approved, the Ohio VCOC must provide information to the Director and Tax Commissioner to ensure they are maintain requirements of the deduction, including if the investments were in an Ohio business, whereas the business is headquartered in Ohio and employs over 50% of its full-time employees in the state.
5. The deduction equals 100% of the capital gains attributable to the certified Ohio VCOC's investments in Ohio businesses and 50% of the gains attributable to its investments in other businesses.

Representative Lanese and I would be happy to answer any questions about that or other aspects of the bill.