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THE WHITE HOUSE

WASHINGTON

October 24, 1996

Charles Ludlam
Vice President
for Government Relations
BIO
1625 K Street, NW
Suite 1100
Washington, DC 20006-1604

Dear Mr. Ludlam:

Thank you for your letter on the benefits of a venture capital incentive. As you know, the Administration has supported in the past efforts to provide incentives to small businesses that have had difficulty raising patient capital. Since the beginning of his term, the President has directed the National Economic Council, the Treasury Department, and others to review ways to make venture capital more available to small businesses. The President is very proud of his Administration's work in gaining passage of the so-called "Bumpers Exclusion" in 1993.

The proposal you discuss in your letter is interesting. However, presently, the Administration is still reviewing the tax changes made as part of the Omnibus Budget Reconciliation Act of 1993 to see if companies are issuing eligible stock for this favorable tax treatment. Since we are still reviewing the matter, we do not believe that it would be prudent, at this time, to call for additional changes to the "Bumpers Exclusion" as proposed in H.R. 1918.

Again, thank you for your interest in this important matter.

Sincerely,

Carol H Rasco

Carol Rasco
Assistant to the President
for Domestic Policy

SEP - 5 1996

Bio

BIOTECHNOLOGY
INDUSTRY
ORGANIZATION

September 4, 1996

Ms. Carol H. Rasco
Assistant to the President for
Domestic Policy
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Carol:

The President's call for an increase in the capital gains exclusion on home sales makes it more likely that the Congress will send the President a tax bill prior to the October adjournment including this, and possibly other, capital gains incentives.

We urge the Administration to insist that any such tax bill include amendments which would effectively implement the 1993 venture capital incentive so that it can help to form capital for entrepreneurs. The many layers of limitations imposed on this incentive by the Treasury Department in 1993 have rendered it a nullity in the marketplace. We believe that not a single venture capital transaction has been influenced by this incentive. Its ineffectiveness is demonstrated by the fact that not one mutual fund has been organized around the incentive or ever mentioned it in its prospectuses.

W/ Ken Peer
720-6165

The venture capital incentive is the single most effective tax incentive the Congress could pass to spur economic growth. It would enhance the competitiveness of entrepreneurial firms, spur job growth, and demonstrate the Administration's commitment to the entrepreneurial sector. It seems that both parties agree that these are the critical economic issues for the 1996 election.

The 1996 Democratic National Platform adopted in Chicago states, "We know investments in technology drive economic growth, generate new knowledge, create new high-wage jobs, build new industries, and improve our quality of life...We support government policies that encourage private sector investment and innovation to create a pro-growth economic climate...We want technology to create jobs and improve the quality of life for american workers." One of the most immediate ways to implement this platform is to secure effective

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implemention of the 1993 venture capital incentive.

The necessary amendments to the 1993 incentive are outlined in the enclosed copy of BIO's comments of today on the pending IRS rule to fix one of the many problems with the 1993 incentive. This rule is only a first step in the process; we need amendments to the law to make the incentive work.

These amendments would cost only $700 million over seven years because the Joint Tax Committee gives credit for the $752 million (five year figure) offset used to finance the 1993 incentive. Taking all of the scores into account, it is possible in 1996 to secure enactment of a $3.32 billion (ten year figure) venture incentive with a revenue or budget offset of only $700 million this year.

The venture capital incentive will spur economic growth by providing capital directly to entrepreneurs. This will have a major impact on American competitiveness, economic growth, and the creation of technology which will truly change our standard of living. It does not simply provide tax relief; it is a growth tax incentive. BIO also supports enactment of a broad-based capital gains incentive.

The biotechnology industry looks forward to working with the Administration to vindicate the pledge of Governor Clinton and Senator Gore during the 1992 campaign to enact the Bumpers-Matsui venture capital incentive. We now have a golden opportunity to do so.

This action would be consistent with the Entrepreneurs Agenda of the Entrepreneurs Coalition, of which BIO is a founding member. We would be pleased to organize events with entrepreneurs as a forum for the President to outline his own entrepreneurs agenda.

Thank you very much for your assistance. 776-0608.

Sincerely,

Chuck Ludlam

Charles E. Ludlam
Vice President for
Government Relations

Enc. Sept. 4 BIO comments on pending IRS rule regarding stock redemptions under 1993 venture capital incentive