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## THE BLOG

# Obama Proposes Tax Cut for Mega Rich Venture Capitalist Contributors

© 05/28/2010 04:34 pm ET | Updated May 25, 2011

 Like 15**Lloyd Chapman**   
Small business advocate

President Barack Obama has proposed new legislation that will allow many of the nation's wealthiest venture capitalists to avoid paying billions of dollars in federal income tax. Under the new proposal some of President Obama's top campaign contributors in the venture capital industry will be exempt from capital gains tax.

I believe President Obama will also back legislation and policy that will attempt to change the longstanding federal definition of a small business as being "independently owned." President Obama will likely back legislation or policy that will change the federal definition of a small business to include firms owned by many of the nation's wealthiest venture capitalists.

If he is successful, billions of dollars a month in federal small business contracts will be diverted from legitimate small businesses, and into the hands of mega wealthy venture capitalists.

President Obama has maintained close ties to the National Venture Capital Association (NVCA) since his days in the Illinois State Legislature. Wealthy venture capitalists were major contributors to President Obama's campaign. In February of 2009, a story in the Venture Capital Journal titled, "Real Change: New President Gets VC," boasted about the close relationship between President Obama and the venture capital industry. (<http://www.vcnews.com/story.asp?storycode=46450>)

President Obama's close ties and political debt to the venture capital industry were clearly demonstrated when he appointed New York venture capitalist, and Tootsie Roll heiress Karen Mills to head the Small Business Administration (SBA). He appointed another venture capitalist, Winslow Sargeant to head the Small Business Administration Office of Advocacy. Both Mills and Sargeant were major contributors and fund raisers during Obama's Presidential campaign.

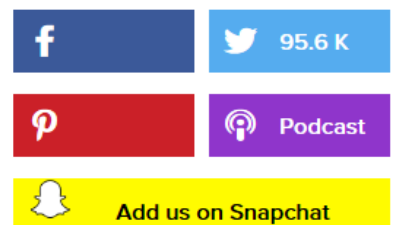
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In addition to millions of dollars in contributions to President Obama, the NVCA and its members have spent millions of dollars lobbying Congress. The vast majority of venture capital industry contributions have been focused on the House and Senate small business committees. A story in AllBusiness.com described House Small Business Committee Chair Nydia Velázquez as “quarterbacking” legislation for well-heeled venture capitalists. (<http://www.allbusiness.com/company-activities-management/business-climate-conditions/9077284-1.html>)

In the past, the NVCA and its members have pushed for pro-venture capital loopholes under the guise of “increasing access to capital for small businesses.” Nothing could be further from the truth. In reality, the true purpose of the NVCA political agenda is obviously to increase their access to billions of dollars in federal small business contracts and withdraw profits without paying taxes.

According to the U.S. Census Bureau and the Kauffman Foundation, small businesses employ over 50.2 percent of the private sector workforce, are responsible for more than 50 percent of GDP and create nearly all net new jobs. Legislation or policy that would divert federal small business funds away from American small businesses could have a significant negative impact on the national economy.

If President Obama truly wanted to increase access to capital for small businesses, he would not have allowed CIT, the nation’s leading lender to small businesses and firms owned by women, minorities and veterans, to fail. If President Obama were sincere about helping small businesses, he would have kept his campaign promises to: implement the 5 percent set-aside goal for woman owned firms, restore the SBA’s budget and staffing, restore the head of the SBA to a cabinet level position, and “end the diversion of federal small business contracts to corporate giants.” ([http://www.asbl.com/documents/20100526\\_ASBL\\_AnalysisObamaSB.pdf](http://www.asbl.com/documents/20100526_ASBL_AnalysisObamaSB.pdf))

President Obama has broken every campaign promise he made to America’s 27 million small business owners. Instead he has continued to allow billions of dollars a month in federal small business funds to be diverted to corporate giants around the world. His administration has tried to cover up the diversion of federal small business contracts to corporate giants by destroying data in the Federal Procurement Data System such as the “small business flag” and the “parent DUNS number.” The Obama Administration is refusing to release a wide variety of information that the public can use to monitor the actual recipients of federal small business contracts. They have also refused to release reports on prime contractor compliance with federal small business goals. President Obama even refused to accept the recommendation of his own small business advisory council to end the “Comprehensive Subcontracting Plan Test Program.” This program allows prime contractors to ignore federally mandated small business goals and avoid any penalties for noncompliance.

As I have said many times, the media and the American people need to quit listening to President Obama’s well written and insincere speeches, and look at what he is actually doing. When you do, it becomes clear that President Barack Obama is no friend to the 27 million small businesses where most American’s work. Quite the

ment to the 27 million small businesses where most Americans work. Quite the contrary, his administration has adopted numerous policies that are clearly anti-small business.

I predict that President Obama will continue to pursue legislation and policy that will allow his wealthy contributors in the venture capital industry to hijack billions of dollars in federal small business contracts and avoid paying taxes on their ill gotten gains.

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