

# Future Economy

## Critical Role of Tech, Innovation Policies

**“Indiana will be a global leader in innovation and economic opportunity, where enterprises and citizens prosper.” – Indiana Vision 2025**

*EDITOR’S NOTE: The following summarizes the impact of the key policy positions of the Indiana Chamber’s Tech Policy Committee.*

The good news is that our state is largely in control of its own destiny in the effort to achieve the mission of *Indiana Vision 2025*. Just as our history is filled with leadership in the agriculture and manufacturing economies, Indiana can and must – with the proper policy and programs – be a dominant player in the innovation economy of today and tomorrow.

It’s that glorious past, in fact, that helps position us well for the future. It’s not a matter of building a new economy but adapting those traditional agriculture, manufacturing and logistics strengths. Those who embrace the new technologies the most will realize the greatest benefits for their companies, workers and communities.

### **Talent: Education and the workforce**

Talent gaps are currently impacting all businesses, including those in the innovation sector. Solutions must be both short and long term. It’s essential that young people are better prepared for their future. Efforts to do so should include:

- Rapidly phase in computer science requirements for all schools
- Have an information technology component as a high school diploma requirement
- Provide technology teachers the tools they need through increased professional development
- Further incorporate digital technologies into the education delivery system

Our colleges and universities generate many talented graduates each year who possess the skills to fill positions created in Indiana’s innovation-based businesses. Too many are leaving the state. Keeping and retaining more of them increases our talent pool, helps drive business innovation and makes Indiana a stronger global competitor.

Increased productivity and the technology transformations already taking place have displaced many Indiana workers. Effective retraining, in a clearly defined system that works well for both individuals and employers, is required to help eliminate the thousands of unfilled jobs that require technical skills.

### **Taxes: Clarity and parity on software-as-a-service (SaaS)**

Indiana has made a significant series of improvements to its tax climate during the past 15 years. These have been based, at least in part, on making sure Hoosier companies are not disadvantaged in relation to their competitors in other states. The same proactive policies are required regarding taxation of SaaS and other cloud-based services.

Indiana has a growing base of software development firms. But these companies, like others in the innovation space, are more portable than traditional businesses and can easily relocate to more favorable tax climates. SaaS and cloud-based services should remain exempt from sales tax.

### **Transition: Adapting to the IoT economy**

The Internet of Things (IoT) is the basis of the next economic revolution. This is where matching longstanding state strengths with emerging technologies is so essential. All available mechanisms – including tax policy, economic incentives, collaborative support and promotion of these efforts on national and international levels – should be used.

### **Tomorrow: Accelerating entrepreneurship and job growth**

Entrepreneurship is the best way to create jobs and economic opportunity. As “old” jobs wither away, we must enable “new” ones. Start-up companies account for 3% of total jobs, but almost 20% of job creation.

Unfortunately, Indiana has not fared well in recent state rankings that measure entrepreneurial activity and venture capital investments. The 2017 *Indiana Vision 2025* Report Card finds Indiana 44th for new business creation and 35th for venture capital invested per capita. To improve these results and to build tomorrow’s jobs, we support the following:

- Encourage and expand investment in promising Indiana opportunities. A key step is expanding the Venture Capital Investment Tax Credit above the current \$12.5 million annual cap and making the credits transferable to broaden the investment pool. This will supplement the recently-created \$250 million Next Level Fund and form a powerful combination for emerging Indiana scale-up companies.
- Increase business development using federal R&D funds. Indiana lags other states in securing Small Business Innovation Research (SBIR) Phase I and Phase II grants and Small Business Technology Transfer (STTR) awards. Aggressive promotion and expansion of the state’s matching program would encourage the participation and success of more Indiana businesses.
- Increase the conversion of Indiana research into marketable products and more efficient processes for Indiana companies. Enhanced technology transfer from resources such as Crane, our public and private universities, as well as businesses, to the marketplace is needed for the success of existing companies and to increase the number of start-ups.
- Continued financial support of Certified Tech Parks (CTP) that have been successful and reached the funding cap. Once the initial \$5 million cap is met by a CTP that is in good standing with the certification requirements/metrics, the CTP should have the opportunity to capture further increments in the amount of an additional \$5 million every four years. The current funding formula should remain intact to ensure each CTP “earns” the funds from the designated activity within the CTP.

While some of these policies carry a certain amount of risk, the greater peril is doing nothing. Indiana must evolve its economy to be a leader for generations to come by building on recent momentum generated by a stronger business climate and regional successes. By adopting these, and other pro-growth policies, Indiana communities, companies and citizens will have that opportunity to more fully prosper.