

**Fairfax County Small Business Commission
Small Business News**

By: Koorosh Cyrus Sobhani, Chairman
Dranesville District

November 2013 Newsletter

SEC Unveils New “Crowdfunding” Proposal

On October 23, 2013 the Securities and Exchange Commission (SEC) released a new set of regulations, as mandated under the 2012 JOBS Act, to address how businesses can raise capital through “crowdfunding.”

Under the current regulations, businesses can only solicit funds from accredited investors, which are investors with a net worth in excess of \$1 million, excluding their homes, or individuals whose annual salary exceeds \$200,000. Under the new regulations, businesses will be able to solicit up to \$1 million in funds from unaccredited investors.

While it is unclear if these new regulations go far enough to make crowdfunding more attractive to small businesses, the SEC Commissioners “hope the plan strikes the right balance between facilitating crowdfunding and protecting investors from possible fraud.”

<http://www.reuters.com/article/2013/10/23/us-sec-crowdfunding-idUSBRE99M03O20131023?fe>

Shutdown Hurt Virginia the Hardest

A study by online personal finance company Wallet Hub determined that Virginia was the state harmed the most by the recent government shutdown. The study considered seven key areas affected by the shutdown, including: “the number of federal workers per capita, federal contracts per capita, small business lending per capita, student financial aid applications per capita, and the number of veterans per capita.”

One reason for the impact, besides merely the proximity to the District of Columbia, is the fact that 25%

of the Fortune 500 companies located in Virginia have federal government contracts. In addition, Virginia also has the second largest veteran population of any state.

<http://www.nbcwashington.com/news/local/Study-Virginia-Most-Impacted-by-Government-Shutdown-227642251.html>

IRS Agrees to Fast Track Small Business Audits

The IRS, in a change in policy, has agreed to speed up the audit process for small businesses in a similar fashion to the way they treat midsize and large businesses by allowing businesses of all sizes to apply for an expedited process to resolve audits. Until now, only businesses with more than \$10 million in assets could qualify for the fast-track settlements.

This change in policy could allow small businesses to resolve the settlement process within 60 days. Currently the process of audit settlement for small businesses can take years to be resolved.

According to John Lieberman, a CPA at Perelson Weiner LLP, about 20% of audited small businesses will opt for the expedited settlement when facing an IRS audit.

<http://money.cnn.com/2013/11/06/smallbusiness/irs-fast-track/>

Innovation Act of 2013

As part of a bipartisan coalition, the Chairman of the House of Representatives Judiciary Committee Bob Goodlatte (R-VA) introduced a bill that is aimed at eliminating so-called “patent trolls.” Rather than producing new innovation, “patent trolls” purchase patents for the purpose of making infringement claims. In many cases these

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claims are frivolous and lead to expensive and protracted litigation, causing defendants to settle outside of court. A report issued by the White House found that “lawsuits by patent trolls have cost \$29 billion in 2011, a 400 percent increase from 2005” and “that it was stifling innovation.” In many cases, small businesses are the victims of the attacks by “patent trolls.”

To achieve the objectives of the legislation, the bill will require: heightened pleading standards, fee shifting, transparency, staying customer suits, discovery reform, and post-grant review.

Unlike other bills aimed at curbing “patent trolls,” it is believed that the bipartisan support for this bill increases the chance that it will pass through the House.

<http://www.ibtimes.com/innovation-act-2013-bipartisan-bill-fight-patent-trolls-introduced-congress-1439942>

Disclaimer: The applicability and duration of these Acts, regulations and laws are subject to change, and may vary depending residential district. Please consult your legal representatives or local rules for the validity of these laws as set forth.