



Rep. Tom Emmer on Emmer: The Micro Offering Safe Harbor Act will help small businesses grow and succeed

Broadcast: October 12, 2017 • Duration: 4:25

****REP. TOM EMMER:**

** Thank you, Mr. Chair, and thank you to the Committee for bringing the Micro-Offering Safe Harbor Act up for consideration in this 115th Congress. While government doesn't create jobs, with the help of the President, Congress can set federal policies that establish a pro-worker and pro-business environment that lifts people out of poverty, helps families, and allows Americans to realize their greatest dreams. Access to capital remains one of the biggest challenges small businesses continue to face today. American businessmen and women can't get the loans they need to start a new enterprise or grow an existing one. Additionally, if a firm would like to publicly sell stock to raise money, it must register with the Securities and Exchange Commission, which costs \$2.5 million on average, an amount most small businesses simply can't afford. Small business creates over 50 percent of the new jobs on an annual basis in this country. They encourage competition and foster innovation. In fact, many of today's small businesses will be tomorrow's big businesses. Just think of all the great business in this country that started with a dream and a garage – Amazon, Apple, Microsoft, Disney, Harley-Davidson, and Minnesota's own Medtronic. We want to empower entrepreneurs to dream, innovate, and create jobs that grow our economy and opportunity for everyone. That's why we introduced the Micro-Lending Safe Harbor Act with a number of colleagues on this committee – to make it easier for entrepreneurs and small businesses to raise money from family, friends, and their personal network without running afoul of the vague and undefined private offering safe harbor provisions in the Securities Act of 1933. We are not creating new law. The Micro-Offering Safe Harbor Act helps bring clarity and enhances existing law so that job creators can easily raise capital within the confines of an easy-to-understand provision without the help of an expensive expert. This legislation, which incorporates the suggestions made by my colleagues on the other side of the aisle during a legislative hearing last Congress, requires three specific criteria to be met simultaneously in order to trigger a safe harbor exemption for a security offering, instead of just one or more. Each purchaser has a substantive, pre-existing relationship with an owner. There are no more than 35 purchasers of securities from the issuer that are sold in reliance on the exemption during the 12-month period. The aggregate amount of all securities sold by the issuers does not exceed \$500,000 during the 12-month proceeding. The bill also exempts any of the aforementioned security offerings from blue-sky laws while maintaining anti-fraud laws and penalties at the federal and state level. The existing federal and state laws will continue to protect Americans from criminals who may try to swindle them out of their hard-earned money. Unfortunately, there are 3 million fewer small businesses loans made annually today than there were before the 2008 financial crisis. While banks and credit unions work to offer the funding that small business needs to grow and thrive, the Micro-Offering Safe Harbor Act enables them to confidently find alternative ways of raising capital without having to pay for costly securities experts and without fear of lawsuits if they operate within these easy-to-understand parameters. The Micro-Offering Safe Harbor Act is supported by the National Small Business Association, the Small Business and Entrepreneurship Council, the U.S. Chamber of Commerce, and ENGINE, the Voice of Startups in Government. This clarification of existing law is a next-generation tool for capital formation. The time has come for Congress to come together and help small businesses help themselves by making this important update and



improvement to the Securities Act of 1933. Again, I want to thank the Chairman for calling this markup, and I hope that giving the opportunity for small business to grow and succeed as the Micro-Offering Safe Harbor Act seeks to do is something that leaders in both parties can champion.

This transcript was independently produced by MN-06 Watch for accountability and archival purposes.

Source: (October 12, 2017)

Archived: February 06, 2026

Source URL: <https://youtu.be/yBZcNKvURWI>

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