
***Tax Issues that Impact University
Incubators and Venture Capital Funds***

***Higher Education Taxation Institute
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Agenda

Introduction
Structuring Incubators and Venture Capital Funds
Operational considerations/special topics
Congressional focus: IRS endowment inquiry
Conclusion

Introduction

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What are Incubators and Venture Capital Funds?

Incubators

- Operational and financial support to startups
- Low-cost space, operational support
- Mentoring and support in areas such as marketing, legal services, and funding
- Access to business partnerships, alumni and a network of entrepreneurs

Venture Capital Funds

- Provide early stage funding to invest in new technologies
- Can provide additional support to portfolio companies similar to an incubator, or work in conjunction with an incubator to facilitate business development

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University examples

Incubators

- University of Texas – Austin - Austin Technology Incubator provides incubator services to technology companies

Venture Capital Funds

- University of California – \$250 million venture fund that will invest in companies with ties to its network of schools, medical centers and research labs
- University of North Carolina at Chapel Hill, Carolina Research Venture Fund - \$10 million pool of money for companies that commercialize technology developed at the University
- University of Michigan – Student-run Wolverine Venture Fund was created in 1997 and it has since invested in 22 companies

Incubators and Venture Capital Funds

- University of Pennsylvania – PCI Ventures provides incubator and advisory services
- Stanford University – StartX, and Stanford-StartX Fund, LLC

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Stanford University example – StartX

StartX

- Independent incubator providing entrepreneurial education to Stanford student-, faculty-, and alumni-entrepreneurs
- Stanford University grants \$1.2 million annually to StartX to support its educational programs

Stanford-StartX Fund, LLC

- Venture capital fund formed by Stanford University, Stanford Health Care and StartX
- Invests in portfolio companies emerging from the StartX incubator
- Supports founders and technology

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