

Helping America's Small Businesses

Small businesses are the backbone of the American economy. They create 60 to 80 percent of new jobs. This job creating potential is even more important when times are tough. Since January, Democrats have made small business needs a priority, providing \$15 billion in tax relief to small firms and unlocking \$21 billion in new lending and investment for entrepreneurs through the American Recovery and Reinvestment Act. If our nation is going to lift itself out of recession, small businesses will once again need to lead the way.

The Act targets \$15 billion in tax relief to America's small businesses by:

- **Increasing Section 179 expensing limits.** This lets small business owners fully depreciate capital purchases for items like trucks, computers and other equipment the same year it is purchased. This encourages small businesses to make purchases now, while also putting more money back into their pockets this year so they can grow.
- **Extending the carry back period for Net Operating Losses from 2 to 5 years.** This permits small businesses that have suffered losses over the past couple of years to go back to years in which they made a profit and receive a tax refund. By carrying back losses from this year to profitable years during which they paid taxes, small businesses can receive a refund now for taxes they paid during past, profitable years, providing an immediate cash infusion.
- **Delaying the onerous 3 percent withholding tax** on payments to government contractors.
- **Providing relief from the Alternative Minimum Tax**, which hits tens of thousands of small business owners.
- **Establishing tax credits for small businesses** hiring recently discharged veterans and out-of-work youth.

The Act will generate \$21 billion in new lending and investment for small businesses.

Specifically:

- **Provides direct, interest free loans of \$35,000.** Many entrepreneurs are in need of an immediate cash injection to keep up with existing debts. The American Recovery and Reinvestment Act creates a new "Small Business Stabilization Financing Program" at the Small Business Administration (SBA) that allows small firms to get a \$35,000 loan, interest free. Borrowers would have one year before they would need to begin repayment.
- **Makes loans less expensive** for small business borrowers, by eliminating fees that are normally built into SBA-backed loans.
- **Increases to 90% the amount of a Small Business Administration-backed loan that the government guarantees.** This will make it easier for small businesses to get loans from local banks.
- **Unclogs the market for SBA-backed loans.** Like other credit markets, many banks are at capacity for small business loans. As the credit market has dried up the "broker/dealers" who normally buy these loans off banks' books and resell them to investors have stopped purchasing loans from banks. The Act will help unclog the credit market for small business loans, so banks lend to small businesses again.