

American Recovery and Reinvestment Act: Spurring Job Creation by American Businesses Large and Small

American businesses, large and small, are the engine of the economy. The American Recovery and Reinvestment Act, signed into law by President Obama on February 17, expands opportunities for small business, and contains incentives for businesses of all sizes to invest in new plants and equipment. The measure will strengthen a broad range of industries, such as renewable energy, construction and manufacturing, and information technology, which are critical to creating jobs now, as well as transforming our economy for the 21st Century.

“The National Association of Manufacturers ... urges you to support the conference report on H.R. 1, the American Recovery and Reinvestment Act, because this legislation is essential to economic revitalization and the creation of jobs.... The overall plan balances tax cuts and investment and is designed to help working Americans and those who provide their jobs.” [National Association of Manufacturers, 2/13/09]

“Since the elections, we’ve vowed to work with the President to quickly develop and pass a stimulus bill that would apply a defibrillator to our economy and shock it back to life... We support the cancellation of indebtedness tax provisions that will encourage businesses to restructure and reduce debt, enabling them to preserve jobs, renew investment, and begin to grow once again. ... By offering tax incentives to first-time homebuyers and new car purchasers, this bill could provide much needed liquidity to the market while jumpstarting critical industries. We urge both chambers of Congress to swiftly pass the bill.” [Chamber of Commerce, 2/13/09]

The measure is supported by a broad range of business organizations, including the American Wind Energy Association, The Information Technology Industry Council (ITI), National Association of Realtors, Real Estate Roundtable, Solar Energy Industries Association, and Retail Industry Leaders Association.

Creating Small Business Opportunities (over \$1 billion)

- Spurs more than \$xx billion in small business loans, with guarantees needed to make loans more attractive to lenders and to free up capital for small businesses. By allowing the Small Business Administration to play a more active role and by unfreezing credit markets, this will give smaller firms access to the capital they need to stay afloat, create jobs and help drive an economic recovery.
 - Eliminates all fees on SBA-backed loans.
 - Establishes a new program that will allow SBA to make no-interest loans to firms that are struggling to make payment on existing debts.
 - Raises from 85 to 90 percent the portion of a loan that the Small Business Administration will guarantee.
 - Spurs investment in high-growth, small firms by streamlining the Small Business Investment Company (SBIC) program to allow them to invest more flexibly.
 - These initiatives are expected to result in nearly \$21 billion in new investments and lending for small businesses, spurring the creation of 634,000 jobs.
- Guarantees nearly \$3 billion in loans for rural businesses at a time of unprecedented demand due to the credit crunch. Private lenders are increasingly turning to this program to help businesses get access to capital.

- Invests in Economic Development Assistance (EDA) to address long-term economic distress in urban industrial cores and rural areas, distributed based on need and ability to create jobs and attract private investment. Every \$1 in federal EDA funds leverages \$10 in private investments.

Business Tax Incentives to Create Jobs and Spur Investment (\$76 billion in 2 years; \$10 billion over 10 years)

- *Bonus Depreciation:* Helps businesses quickly recover costs of new capital investments by extending the increased bonus depreciation for businesses making investments in new plants and equipment in 2009.
- *Buying Back Debt:* Provides assistance to companies looking to reduce their debt burdens by delaying the tax on businesses that have discharged indebtedness, which will help these companies strengthen their balance sheets and obtain resources to invest in job creation.
- *Small Business Expensing:* Spurs small business investment by extending increased small business expensing, which doubles the amount small businesses can immediately write off for capital investments and purchases of new equipment made in 2009 from \$125,000 to \$250,000. This write off phases out completely for investments over \$800,000 (up from \$500,000).
- *Small Business Loss Carrybacks:* Increases cash flow for small businesses by providing a 5-year carryback of net operating losses (NOLs). This would allow small businesses (with gross receipts of less than \$15 million) to write off losses incurred in 2008 against taxes assessed over the previous five years (current law limits NOL carryback to the previous two years).
- *Small Business Investment:* Spurs investments in small businesses by cutting the capital gain tax (by increasing from 50 percent to 75 percent the capital gains that are excluded from tax) for investors in small businesses who buy stock (in the next two years) and hold it for more than five years.
- *3% Government Withholding:* Delays the mandate that federal, state, and local governments withhold 3 percent of payments to businesses for goods and services, which is supported by the National Small Business Association.
- *Jobs for Unemployment Veterans or Youth:* Encourages new job creation with business tax credits for hiring recently discharged unemployed veterans and youth that have been out of work and out of school for the 6 months prior to hire.

Growing Businesses under the Recovery Plan

- **Rebuilding America's Highways, Bridges, and Other Infrastructure:** Businesses in construction and manufacturing will get a boost from the large investments in infrastructure, including repairing and modernizing thousands of miles of roadways in the U.S., providing new mass transit options for millions of Americans and cleaning up our water. These provisions in total would create 1.8 million American jobs.
- **Spurring Renewable Energy:** For renewable energy firms, such as wind and solar, the bill includes critical provisions, such as those that:
 - Provide a three-year extension of the production tax credit (PTC) for electricity derived from wind (through 2012) and for electricity derived from biomass, geothermal, hydropower, landfill gas and waste-to-energy facilities (through 2013).
 - Make grants for businesses that begin or complete construction of new renewable energy facilities in 2009 or 2010 for up to 30 percent of the cost of the investment in order to help speed up investment in new facilities and to address current renewable energy credit market concerns.
 - Guarantees up to \$60 billion in loans for renewable energy power generation and electric transmission projects that begin in the next two years. These guaranteed loans would help ease credit constraints for renewable energy investors and spur new private sector investment over the next three years.
 - The American Wind Energy Association: "The renewable energy provisions in the final bill will stimulate economic and job growth in the wind industry. More than that, this bill is a critical down payment on long-term policies needed to meet the President's ambitious renewable energy goals, enhance America's energy security, grow our economy and reduce global warming pollution." [2/12/09]
- **Making Homes, Schools and Buildings More Energy Efficient:** For those who rebuild and renovate our homes and buildings for energy efficiency and savings, including many small businesses such as plumbers and electricians, the bill includes provisions to:

- Improve the energy efficiency for up to 1 million modest-income homes through weatherization;
- Make key energy efficiency upgrades to public housing and HUD-assisted housing with new insulation, windows, and furnaces; and
- Make an historic investment in upgrading federal buildings and making them energy efficient – working to save taxpayers over one billion dollars by slashing energy costs in our federal buildings by 25 percent.
- **Innovation through Science & Technology:** The recovery package also includes nearly \$40 billion in investments in America’s IT network infrastructure (including broadband, health IT, and a smarter energy grid). More than 100 high-tech CEOs and business leaders have endorsed these IT investments and stated that this \$40 billion investment alone will create more than 949,000 U.S. jobs, more than half of which will be in small businesses.
 - Investing in extending broadband and wireless services to underserved communities across the country, thereby growing businesses that procure, produce, deliver, install, and maintain new infrastructure, as well as sectors of the economy that rely on e-commerce, including the retail, education, health care, and real estate industries.
 - Providing funding for the aggressive adoption of Health Information Technology systems will create hundreds of thousands of jobs – many of them in high-tech sectors, including computer hardware manufacturing and information technology services.