Small Business Stimulus Provisions in H.R. 1

The small business stimulus provisions in the American Recovery and Reinvestment Act of 2009 will provide immediate assistance to small firms in need of financing and tax relief.

- The Act contains over $30 billion dollars in tax relief to our nation's small businesses.
- It will also provide more than $13 billion for loans, lines of credit, and equity capital to small firms, resulting in the creation or retention of more than 400,000 jobs.[1]
- These important provisions will provide entrepreneurs with the financial assistance and tools they need to weather these challenging times and begin to turnaround our economy.

Providing Immediate Financing for Small Businesses

- Given the recent decline in banks' lending capacity, the legislation permits the Small Business Administration (SBA) to guarantee up to 95 percent of a small business loan, making the banks' limited capital more accessible to small businesses.
- To limit risk to the taxpayer, the SBA must approve each loan and all current safety and soundness requirements apply.
- To help banks to make loans, local businesses will be better able to create jobs and drive growth in our local communities.

Unfreezing Credit Markets

- In order to spur new economic activity, the SBA is given the ability to assist small business lending markets.
- This is accomplished by allowing the agency to provide liquidity and credit enhancements directly into the small business lending markets, which will allow them to encourage the flow of capital.
- This will enable lenders to replenish their funds and make more loans to small firms.
- As a result, banks will be better able to lend, and entrepreneurs will be better able to secure financing on reasonable terms.

Making Loan Payments More Manageable for Business Owners

- Given the rise in troubled assets and the resulting slowdown in lending activity, businesses are left with fewer options for financing.
- By allowing the SBA to refinance existing non-SBA and SBA loans, borrowers will be able to secure more manageable repayment terms.
- As a result, businesses will be better prepared to weather the economic downturn and be able to retain their employees.
- Doing so will also free up capital for lenders to make more loans to local businesses in need of financing.

Ensuring that Entrepreneurs are not Locked Out of the Capital Markets

- For borrowers unable to secure traditional financing, SBA will be able to collect applications and credit information on borrowers seeking loans.
- SBA will make this information available to SBA lenders and assist in approving the loan.

[1] SBA has estimated that for every $33,000 in SBA financial assistance, one job is created or retained.

- If lenders do not choose to participate, the SBA can then provide the financing, providing small businesses with the funds they need for their operations and payroll.
- This is essential for small businesses that are unable to secure private sector financing, as they will begin to establish a loan repayment history that will increase the likelihood that traditional lenders will provide them financing.
- After the loan begins repayment, the SBA will then offer to sell such loans to SBA lenders, providing local banks with another means to connect with their community.
- This unique partnership, which respects lenders' unique role, ensures that small firms are not locked out of the capital markets and have an alternative source for low-cost financing.

Increasing Equity Capital for High-Growth Companies

- In order to provide fast growing companies with the equity capital they need, the SBA's investment company program is streamlined, which will free up capital for small firms.
- For small companies that show greater potential, changes are made so that they can be provided with the resources necessary for their success.
- Providing this flexibility is essential to fast growing firms, which create greater amounts of jobs and whose economic activity often attract similar ventures to the community.
- The provisions would allow Small Business Investment Companies to invest more in firms that are already in their portfolios and expand their portfolio to invest in more firms.

Oversight and Accountability to Taxpayers

- To protect taxpayers, the GAO is required to report to Congress on the implementation of the small business lending provisions in the stimulus.
- In addition, the legislation requires regular reporting to Congress of loan activity and potential risks created by the new authorities.
- All of the lending programs in the bill sunset after two years.

H.R. 1 provides for immediate tax relief and hiring incentives for our nation's small businesses.

- The legislation encourages small business investment and provides targeted tax relief to create new jobs in the short-term.
- By allowing small businesses to write-off new capital expenditures and extending section 179 expensing and bonus depreciation, more money is put back into the hands of small businesses this year so they can grow.
- H.R. 1 immediately improves the economic situation of small firms with a proven record of success by providing a 5-year carry-back of operating losses, shoring up the balance sheets of small businesses struggling to survive in these difficult times.
- To ensure small businesses are not burdened by unnecessary tax regulations, the onerous 3 percent withholding tax on payments to government contractors is repealed.
- The bill encourages job creation by providing small businesses with tax credits to hire recently discharged unemployed veterans and youth that have been out of work.
- Through the establishment of tax credit bonds for the construction of schools, bridges, roads, and other infrastructure projects, small businesses in these industries will see increased demand for their services.