



Small Business Jobs Act

U.S. Senator Debbie Stabenow

As a member of the Senate Finance Committee, Senator Debbie Stabenow has been working to create the right economic conditions for small businesses to create jobs. The credit crunch has kept many of Michigan's small businesses from accessing the credit they need to expand and hire workers.

Senator Stabenow was a leader in the fight to pass the *Small Business Jobs Act*, which is fully paid for. The bill will cut taxes for small businesses, increase access to capital, and help small companies sell their products overseas. The bill was signed into law by the President on September 27, 2010.

Increasing Access to Capital

- **Small Business Lending Fund:** A study by the National Federation of Independent Business found that 45 percent of small business owners were not able to access the credit they needed to grow their company. The Small Business Jobs Act includes a \$30 billion fund to partner with community banks to increase small business lending. This translates into \$300 billion available to loan to America's small businesses. Only healthy community banks are eligible to participate, and the borrowed money must be repaid with interest. There are also stiff penalties for banks that use the funds but do not increase small business lending.
- **State Small Business Credit Initiative:** This bill includes \$1.5 billion to increase small business lending through already-successful State programs to help reduce risk for lenders who make loans to small businesses. This program was modeled after the successful Michigan Collateral Support Program, run by the MEDC, that helps small businesses whose collateral has dropped in value (for example, real estate and equipment values have fallen since the beginning of the recession, making it harder for companies to access credit using that property as collateral).
- **Increased Access to the Small Business Administration Loan Programs:** This bill improves access to SBA loans, extends SBA provisions in the Recovery Act, and directs the SBA to create a clearinghouse to help small businesses find lenders in their communities. The Recovery loan extensions – an increase in guarantees for SBA's 7(a) program to 90 percent and elimination of the fees for the 7(a) and 504 program – have the capacity to support \$14 billion in lending to small businesses. The bill also includes provisions that Senator Stabenow co-sponsored to increase SBA loan limits, estimated to boost lending to small businesses by \$5 billion.

\$12 Billion in Tax Cuts for Small Businesses

- **Zero Taxes on Capital Gains from Key Small Business Investments:** Generally, non-corporate taxpayers may exclude 50 percent of the gain from the sale of certain small business stock acquired at original issue and held for more than five years. This bill increases that exclusion to 100 percent of the gain from the sale of qualifying small business stocks. Over one million small businesses are eligible to receive investments this year that, if held for five years or longer, could be completely excluded from any capital gains taxation.

- **Extension and Expansion of Small Businesses' Ability to Immediately Expense Capital Investments:** The HIRE Act, passed earlier this year, allowed small businesses to deduct up to \$250,000 of the cost of qualifying property in the year it was purchased, rather than waiting to recover the cost through deductions over a number of years. This bill increases that threshold to \$500,000 and expands the types of investments that are eligible for Section 179 expensing. This means that 4.5 million small businesses and individuals will be able to make new business investments right now and know that they will earn a larger break on their taxes this year.
- **Extends Bonus Depreciation:** This bill allows all companies to immediately deduct 50 percent of their qualifying investments. This will encourage small business owners to purchase new machinery and equipment, as well as make other major business investments. By accelerating the rate at which they deduct capital investments, 2 million businesses, large and small, will be able to make new investments right now and know they can receive a tax cut for this year.
- **A New Deduction of Health Insurance Costs for Self Employed:** This bill allows 2 million self-employed individuals to deduct the cost of health insurance for themselves and their families when they calculate their self-employment taxes this year.
- **Tax Relief and Simplification for Cell Phone Deductions:** The bill changes rules so that the use of cell phones can be deducted without burdensome extra documentation – making it easier for virtually every small business in America to receive deductions that they are entitled to, beginning on their taxes for this year. This provision would “delist” cell phones so their cost can be deducted or depreciated like other business property without onerous recordkeeping requirements.
- **Double Tax Deduction for Start-Up Companies:** The bill temporarily increases the amount of start-up expenditures entrepreneurs can deduct from their taxes for this year from \$5,000 to \$10,000 (with a phase-out threshold of \$60,000 in expenditures), offering an immediate incentive for someone with a new business idea to invest in starting up a new small business today.
- **A Five-Year Carryback Of General Business Credits:** The bill would allow certain small businesses to “carry back” their general business credits (e.g., the Research and Development Tax Credit, the Work Opportunity Credit, the Low Income Housing Credit, the Disabled Access Credit, the Empowerment Zone Hiring Credit, the Employer Provided Child Care Credit, etc.) to offset five years of taxes – providing them with a break on their taxes for this year – while also allowing these credits to offset the Alternative Minimum Tax, reducing taxes for these small businesses.
- **Limitations on Penalties for Errors in Tax Reporting That Disproportionately Affect Small Business:** The bill would change, beginning this year, the penalty for failing to report certain tax transactions from a fixed dollar amount – which was criticized for imposing a disproportionately large penalty on small businesses in certain circumstances – to a percentage of the tax benefits from the transaction.

Promoting Exports and Entrepreneurship

- **Increased Trade Enforcement:** While 45 percent of large companies export products overseas, only 1 percent of small businesses do. In order to grow our economy, we need to be exporting our products, not our jobs. That's why this bill outlines a new effort for the U.S. Trade Representative to increase access to markets and enforce our trade agreements specifically to help small businesses export products.
- **Improved Small Business Contracting:** The bill removes red tape and closes loopholes that too often give large multinational companies preferences in government contracting. This is based on legislation co-sponsored by Senator Stabenow, the Small Business Contracting Revitalization Act. Increasing contracts to small businesses by just one percent could create more than 100,000 jobs.
- **Help for Small Businesses to Navigate Trade Barriers:** A recent report of the trade barriers other countries use to keep American products out was over 500 pages long. This bill would give new tools to the Department of Commerce to provide expert advice to small business owners who want to sell their products in foreign markets.
- **Enhanced Small Business Trade Opportunities:** The bill improves the Small Business Administration's trade and export finance programs and elevates the Office of International Trade within the agency. It adds Export Finance Specialists to the agency's trade counseling programs. It also establishes the State Export Promotion Grant Program (STEP) to increase the number of small businesses that export.

For more information about small business legislation and resources, please visit Senator Stabenow's website at: <http://stabenow.senate.gov>

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