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BAUCUS HAILS PASSAGE OF SMALL BUSINESS JOB CREATION BILL

Finance Chairman helped write bill to provide small businesses with access to capital, promote entrepreneurship and stimulate investment to create jobs and help small businesses grow

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today applauded Senate passage of legislation that helps small businesses access capital, stimulates investment in small businesses and promotes entrepreneurship. Baucus and Small Business and Entrepreneurship Committee Chair Mary Landrieu (D-La.) introduced the Small Business Jobs Act in June to help create the right economic conditions for small businesses to create jobs. The legislation passed the Senate today by a vote of 61 to 38.

“Small businesses are America’s engine of job creation, but the credit crunch has starved them from accessing the capital they need to grow and create jobs. This bill takes that credit crunch head on and helps small businesses access the capital they need through targeted tax cuts, robust incentives for investment and support for entrepreneurship,” said Baucus. **“This bill helps small businesses and helps get Americans back to work.”**

The Small Business Jobs Act includes the following provisions to help small businesses grow and create jobs:

Helping Small Businesses Access Capital

- The legislation encourages investment in small businesses by allowing investors to exclude the gains from the sale of certain small business stock from their income for tax purposes if the stock is held for more than five years. This policy helps small business owners access more private capital to finance an expansion and hire new workers.
- The legislation reduces the tax burden for small businesses by allowing them to carry back general business tax credits to offset their tax burdens from the previous five years. Small businesses will also be able to count the general business credits against the Alternative Minimum Tax (AMT), freeing up capital for expansion and job growth.
- The legislation establishes a Small Business Lending Fund of \$30 billion to provide capital investments to small community banks to increase small business lending. The fund is limited to only the smallest banks, those who hold less than \$10 billion in assets, and the performance-based program would incentivize only those lenders that extend new credit by decreasing the dividend rate banks pay as they increase lending.
- The legislation establishes the State Small Business Credit Initiative to provide \$1.5 billion in grants to existing successful state small business programs that help private lenders extend more credit to small businesses.
- The legislation raises the cap on small business loans to increase lending by \$5 billion in the first year after enactment, and refinances commercial real estate debt into long-term, fixed-rate loans, provisions that are expected to be budget neutral and could create or save 200,000 jobs.

- The legislation builds on successful initiatives put in place through the Recovery Act, namely simple and cost-effective changes to the Small Business Administration's (SBA) two largest lending programs and to its microloan program, which have pumped more than \$20 billion into more than 40,000 businesses in our economy. This legislation calls for an extension of these lending provisions through December 31, 2010.
- The legislation extends the American Recovery and Reinvestment Act small business lending program that eliminates the fees normally charged for loans through the SBA 7(a) and 504 loan programs and increases the government guarantees on 7(a) loans from 75 percent to 90 percent. Since its creation, the program has supported over \$26 billion in small business lending, which has helped to create or retain over 650,000 jobs.

Increasing Small Businesses' Ability to Make Investments

- The legislation allows taxpayers to write off more of the cost of purchases for their business, such as equipment and machinery, in the year the purchase is made. The legislation also expands the types of purchases that would qualify for special expensing to include some types of real property, such as leasehold, retail and restaurant improvements. When small businesses are able to deduct the cost of purchases more quickly, they have more cash on hand to create jobs.

Promoting Entrepreneurship

- The legislation doubles the amount of start-up expenditures that may be deducted by someone starting a small business, making it easier for new businesses to open.
- The legislation targets resources to support the Office of the United States Trade Representative's small business export promotion and trade enforcement activities. These efforts help U.S. small business exports grow in foreign markets and ensure small businesses compete on a level playing field.
- The legislation improves the Small Business Administration's (SBA) trade and export finance programs, elevates the Office of International Trade within the SBA and adds export finance specialists to the SBA's counseling programs.
- The legislation establishes the State Export Promotion Grant Program (STEP), which would increase the number of small businesses that export goods to other countries.
- The legislation allows the SBA to waive or reduce the state-matching share of its funding requirement for up to one year to continue providing technical assistance to underserved communities to start and grow small businesses.

Promoting Equity

- The legislation promotes tax fairness by preventing small businesses from incurring large tax penalties aimed at large corporations and wealthy individuals investing in tax shelters.
- The legislation removes the red tape and closes loopholes that too often put government work into the hands of multinational corporations, instead of Main Street businesses.
- The legislation makes clear that no single contracting program receives priority over another program when competing for federal contracts.
- The legislation allows self-employed individuals to deduct health insurance costs for purposes of paying the self-employment tax.

The legislation is fully paid for, closes unintended tax loopholes and reduces the tax gap.

Text of the Small Business Jobs Act is available on the Finance Committee website at:
<http://finance.senate.gov/legislation/details/?id=da799068-5056-a032-5229-92ceb2b7a0>.

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