The Small Business Jobs Act
ENCOURAGING INVESTMENT

Small businesses are the backbone of America's economy and the principle engine of job creation. In fact, over the past 15 years, small businesses have created two-thirds of all new jobs. However, small businesses have been hit hard by the recession – losing more than six million jobs since December 2007. Small businesses will be the key to our economic recovery and we need to do all we can to help them spur job growth. One of the biggest obstacles to small businesses expanding and hiring more workers is their limited ability to make capital investments. Over the course of the Great Recession, small business capital investment has fallen dramatically. Since 2005, the percentage of small businesses that made a capital outlay in the previous six months fell by nearly 30 percent. Capital investments are an integral part of getting the economy back on track. Small businesses need the opportunity to make these investments, so they can grow and expand. The following provisions in the Small Business Jobs Act will help small businesses to make capital investments.

- ***Increase of Section 179 Expensing and Expansion to Certain Real Property***
  Section 179 is one of the most widely-used tax benefits available to small businesses and effectively decreases the cost of newly-purchased equipment, making it more economical for businesses to invest. Under current law, taxpayers may elect to write-off the costs of equipment for use in their trade or business in the year of acquisition in lieu of recovering these costs over time through depreciation. In 2010, taxpayers are allowed to write-off up to $250,000 of these capital expenditures subject to a phase-out once these capital expenditures exceed $800,000. After 2010, the thresholds revert to $25,000 and $200,000, respectively. Instead, this legislation would increase the amount of capital investment a business could expense – to $500,000 and $2 million in 2010 and 2011. Expensing is an important tool for small businesses because it is the most accelerated type of depreciation. With expensing, a business can deduct the complete cost of an asset, such as equipment or software, in the same year the business buys the asset, instead of recovering these costs over a period of years, as they do through traditional forms of deprecation. The ability to deduct the cost of assets in the same year provides an immediate benefit for these businesses and the economy – increasing the businesses cash flow and putting money back into the larger economy with their purchases. 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.

- ***Extension of Bonus Depreciation***
  Businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Congress temporarily allowed businesses to recover the costs of certain capital expenditures made in 2008 and 2009 more quickly than under ordinary depreciation schedules by permitting those businesses to immediately write-off 50 percent of the cost of depreciable property placed in service in those years. The legislation would extend bonus depreciation through the end of this year – allowing business to immediately write-off 50 percent of the cost of depreciable property purchased and placed in service in 2010.

Bonus depreciation quickly sparks investment by making property more affordable, increasing cash flow and giving small businesses savings they can use to reinvest in the business and hire new employees. Bonus depreciation also helps the business that sells the equipment by providing a market for manufacturers and suppliers so they can retain and hire employees as their businesses rebound. The more purchases the businesses make, the more other businesses are helped. This double-benefit makes bonus depreciation a cost-effective way to strengthen business investment.

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