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BAUCUS, GRASSLEY INTRODUCE BILL TO CUT TAXES FOR SMALL BUSINESSES

Finance Leaders' Legislation Will Help Small Businesses Grow, Create Jobs

Washington, DC - Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) introduced legislation today to lower taxes for small businesses by allowing businesses to write off more of the cost of purchases, such as equipment and machinery, more quickly than they would otherwise be able to under current law. The legislation will speed up the tax deductions businesses can take for buying new equipment, which will stimulate investment in small businesses and help create jobs.

"Small business owners in Montana and across the nation have made clear that bonus depreciation has been extremely helpful for their companies' growth and development. When small businesses are able to recoup the cost of purchases more quickly, they have more cash on hand to invest back in the business and create jobs," said Baucus. **"This tax cut provides a double benefit by creating an opportunity for small businesses to purchase new equipment while also helping the companies that manufacture and sell equipment to small businesses."**

"One of the vital elements of an economic recovery is increased business investment," Grassley said. **"Bonus depreciation is a time-tested temporary incentive for increased business investment. Chairman Baucus and I are sending a bipartisan signal to America's businesses to increase investment and create jobs. It's especially important for small businesses to use this provision, since they create 70 percent of all new jobs."**

The legislation helps both small and large businesses depreciate purchases faster, thereby encouraging businesses to invest in more equipment, which is often produced by small businesses. This will help small businesses sell their products and equipment to larger businesses more quickly. It will also allow small businesses to expense their own purchases more quickly.

Bonus depreciation allows businesses to recover the costs of certain capital expenditures more quickly than under ordinary tax depreciation schedules. Businesses can use bonus depreciation to immediately write off 50 percent of the cost of depreciable property.

The bill introduced by Baucus and Grassley today would extend bonus depreciation through 2010. Bonus depreciation was first enacted as part of 2008 economic stimulus efforts. The Recovery Act extended bonus depreciation, but the provision expired at the end of 2009.

Legislative text of the Bonus Depreciation Extension to Create Jobs Act, introduced by Baucus and Grassley today, is available at: <http://finance.senate.gov/legislation/details/?id=5229cdc3-5056-a032-5217-ef606dc01a0f>.

Senator Baucus's statement for the record regarding the Bonus Depreciation Extension to Create Jobs Act follows below.

Floor Statement of Senator Max Baucus (D-Mont.)
Regarding Bonus Depreciation Extension to Create Jobs Act
(As Entered into the Record)

Mr. President, over the past several months, we have seen some improvement in our economy.

One year ago, in the first quarter of 2009, GDP was declining at an annual rate of more than six percent. Just one year later, in the first quarter of 2010, GDP grew at an annual rate of three percent.

This marks the third consecutive quarter of real economic growth.

And it is not just the GDP that is growing. Consumer spending has risen at an annual rate of 3.5 percent this year. Manufacturing output rose nine percent over the first four months of the year. Businesses have increased spending on equipment and boosted their inventory investments.

But one economic indicator continues to lag behind—employment.

The national unemployment rate stands at 9.7 percent. Over the course of this Great Recession, the American economy has lost more than eight million jobs. In total, 15 million Americans remain out of work.

We must act to create jobs and get Americans back to work.

We began creating jobs with the 2009 Recovery Act. The nonpartisan Congressional Budget Office reports that last year's Recovery Act added 1.2 to 2.8 million people to America's payrolls.

In March, Congress passed the HIRE Act. The HIRE Act, which includes a payroll tax exemption for new hires, should help to bolster job creation in the coming months.

This week, we are considering the American Jobs and Closing Tax Loopholes Act. That bill will create jobs by providing tax cuts and certainty to American businesses. It will create jobs by improving our nation's infrastructure. And it will create jobs by making direct investments in jobs for young adults and needy families.

After we consider the American Jobs and Closing Tax Loopholes Act, the Senate will consider a small business jobs bill. The Finance and Small Business committees are currently writing that bill.

Today, I am introducing another important jobs bill. This bill will extend bonus depreciation through 2010. I am introducing this extension as a stand-alone bill because of the unique ability of bonus depreciation to help businesses and create jobs.

In 2008, Congress temporarily allowed businesses to recover the costs of certain capital expenditures more quickly than under ordinary depreciation schedules. The 2008 law allowed businesses to immediately write off 50 percent of the cost of depreciable property placed in service in 2008.

The Recovery Act extended bonus depreciation. But the provision expired at the end of 2009.

My bill would extend bonus depreciation to property placed in service in 2010.

Bonus depreciation provides a double benefit. It helps two sets of businesses. It helps the business that purchases the equipment. And it helps the business that sells the equipment.

The businesses that purchase equipment can write off those purchases more quickly.

This provides a significant tax savings. That savings makes equipment more affordable and encourages purchases.

And the savings gained from expensing, rather than the slower depreciation, allows businesses to use that money to invest in the business itself. Businesses can use those savings to hire employees.

The more purchases that are made, the more other businesses are helped. This proposal will help manufacturers and suppliers to retain and hire employees as their businesses rebound.

I have heard from a number of business owners in Montana that bonus depreciation has been extremely helpful for their business.

An extension of bonus depreciation will boost economic activity by hundreds of millions of dollars. It will create hundreds of jobs in my home state of Montana.

Bonus depreciation is a cost-effective provision that provides real relief for businesses. Bonus depreciation creates jobs.

I urge my Colleagues to support this important bill.

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