

# Small Business Jobs & Credit Act of 2010 Signed

The Small Business Jobs and Credit Act of 2010 (HR 5297) ([view bill online](#)) was approved by the U.S. Senate and the House of Representatives. The Bill was signed into law by President Obama on September 27th.

The legislation creates a \$30 billion fund to help community banks make loans to small businesses. It also cuts capital gains taxes to zero for some small business investments and expands the expensing of investment in machinery and equipment. Another measure makes permanent a new Small Business Administration (SBA) guarantee program for small businesses, and provides \$1.5 billion in funding to states to back their own lending programs aimed at small businesses.

The \$30 billion fund enables banks with \$1 billion or less in assets to borrow from the government up to five percent (5%) of their risk-weighted assets. Banks with assets between \$1 and \$10 billion could borrow up to three percent (3%). The smaller lenders would receive investments that must be used for small business lending.

The program would be administered by the U.S. Treasury.

Much of the small business bill would be paid for by allowing individuals to convert 401(k) and government retirement accounts into Roth accounts. People making the conversion would pay taxes up front on the money they contribute, but they would withdraw the money tax free upon retirement.

## Small Business Jobs & Credit Act of 2010 Fact Sheet:

### **Increasing Access to Credit:**

The bill would increase the capacity of Small Business Administration (SBA) loan programs, in particular, the 7(a) loan program, 504 loans and microloans.

According to the SBA's website ([www.sba.gov](http://www.sba.gov)).

### **7(a) Background**

The 7(a) loan program is the SBA's primary and most flexible loan program, with financing guaranteed for a variety of general business purposes. It is designed for start-up and existing small businesses, and is delivered through commercial lending institutions.

### **The Bill's Impact**

The bill increases 7(a) loan limits from \$2 million to \$5 million.



Bill Rubin

### **St. Croix EDC's Comments:**

*"A growing area like St. Croix County, Wisconsin is home to many small businesses. The Small Business Act of 2010 (HR 5297) can assist them with their capital investment plans. There is increasing demand from businesses to expand as signs of an economic recovery are appearing."*

### **504 Background**

The 504 loan program provides long-term, fixed-rate financing to acquire fixed assets (such as real estate or equipment) for expansion or modernization. It is designed for small businesses requiring "brick and mortar" financing, and is delivered by CDCs (Certified Development Companies)—private, non-profit corporations set up to contribute to the economic development of their communities.

### **The Bill's Impact**

The bill increases 504 loan limit from \$1.5 million to \$5.5 million.

### **Microloan Background**

The microloan program provides small, short-term loans for working capital or the purchase of

inventory, supplies, furniture, fixtures, machinery and/or equipment. It is designed for small businesses and not-for-profit child-care centers needing small-scale financing and technical assistance for start-up or expansion, and is delivered through specially designated intermediary lenders (nonprofit organizations with experience in lending and technical assistance).

### **The Bill's Impact**

The bill increases the microloan program limit from \$35,000 to \$50,000.

### **Tax Breaks for Small Businesses:**

The legislation includes \$12 billion in tax cuts targeted to small businesses. The tax cuts will:

- Allow investors in small businesses to take a 100 percent exclusion from capital gains taxes on small business investments made in 2010;
- Temporarily increase the maximum deduction for business start-up expenditures in 2010 and 2011 from \$5,000 to \$10,000, subject to a \$60,000 threshold;
- Increase the Section 179 expensing provision to allow small businesses to immediately expense up to \$500,000 (up from \$250,000) of the cost of tangible personal property, including up to \$250,000 of the cost of improvements to leasehold property, restaurant property, and retail property;
- Allow the self-employed and family farms to deduct health care costs for payroll tax purposes on their 2010 tax returns;
- Extend Recovery Act provisions that allow businesses to immediately write-off 50 percent of the cost of capital expenditures for 1 additional year for qualifying property purchased and placed into service in 2010;

- Expand bonus depreciation to allow long-term contractors that use the percentage-of-completion method of accounting to elect bonus depreciation on property whose depreciation term is less than seven years;
- Allow small businesses to use all types of general business tax credits to offset AMT liability; and;
- Allow small businesses with less than \$50 million in average gross annual receipts for the prior 3 years, to carry back unused credits for 5 years

### **Export Enhancement for Small Businesses:**

The legislation would improve the SBA's trade and export finance programs, elevate the Office of International Trade within the SBA, and add export finance specialists to the SBA's trade counseling programs. The bill would also establish the State Export Promotion Grand Program, which is designed to increase the number of small businesses that export goods and services. It is estimated that these provisions would leverage more than \$1 billion in export capital for small businesses, creating or saving as many as 40,000-50,000 jobs in 2010.

### **Small Business Contracting:**

The legislation would improve opportunities for small business to access federal contracts and ensure prompt payment to small business subcontractors. It is estimated that increasing contracts to small businesses by just one percent could create approximately 100,000 jobs and infuse billions of dollars into small businesses nationwide.

### **Offset:**

The bill is fully offset through the closure of tax loopholes so as to not increase the deficit.