

New Legislation to Assist Small Businesses

On September 27, President Obama signed into law the **Small Business Lending Funding Act**. The tax title of this bill, the “**Small Business Jobs Act of 2010**”, includes a number of important tax provisions for businesses large and small, and changes for individuals as well. Among the important provisions in the bill, the top benefits to small businesses are:

With funds provided in the bill, Small Business Administration (SBA) will begin funding new Recovery loans starting with the more than 1,400 businesses that are waiting in the Recovery Loan Queue. In total, the extension of these provisions provides the capacity to support \$14 billion in loans to small businesses.

The bill also increases the maximum loan size for SBA’s two largest loan programs, increasing the maximum 7(a) and 504 loans from \$2 million to \$5 million, and the maximum 504 manufacturing related loan from \$4 million to \$5.5 million. In addition, it will temporarily increase the maximum loan size for SBA Express loans from \$350,000 to \$1 million.

The bill will establish a new \$30 billion Small Business Lending Fund which will provide capital to small banks with incentives to increase small business lending.

The bill will support at least \$15 billion in small business lending through a new State Small Business Credit Initiative, strengthening state small business programs that leverage private-sector lenders to extend additional credit.

Also signed into law were eight new tax cuts that go into effect immediately:

- 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.
- The bill extends a Recovery Act provision for 50 percent “bonus depreciation” through 2010, providing businesses with an accelerated rate at which they deduct capital expenditures.
- The bill allows self-employed individuals a deduction for the cost of health insurance for themselves and their family members in calculating their self-employment taxes.
- The bill changes rules so that the use of cell phones can be deducted without burdensome extra documentation.
- The bill temporarily increases the amount of start-up expenditures entrepreneurs can deduct from their taxes from \$5,000 to \$10,000 (with a phase-out threshold of \$60,000 in expenditures).

- The bill would allow certain small businesses to “carry back” their general business credits to offset five years of taxes while also allowing these credits to offset the Alternative Minimum Tax, reducing taxes for these small businesses.
- The bill would change the penalty for failing to report certain tax transactions from a fixed dollar amount to a percentage of the tax benefits from the transaction.

To find out more information and to apply for small business loans: <http://www.sba.gov/jobsact/>

To learn more about the business tax credits: <http://www.irs.gov/>