

BUSINESS BULLETIN

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Businesses Take Advantage of Economic Stimulus

by J.J. Burchman

The news has been full of large companies lining up in Washington with their hands outstretched asking for, and receiving, money from legislators to help keep them afloat in spite of colossal mismanagement through the American recovery and Reinvestment Act ("ARRA"). One might ask where is the assistance for small businesses, the backbone of the American economy? Fear not, Washington hasn't forgotten you. While the stimulus may not be on the scale of the billions pledged to the GMs and Bank of Americas of the world, there are some provisions that have been put into place that will assist the small businesses of Main Street, U.S.A..



lar depreciation of any remaining adjusted basis. Additionally, the IRS will allow businesses with gross receipts up to \$15 million to "carry back" their losses for up to five years. This would allow affected businesses essentially a rebate on taxes paid in previous years.

Finally, under normal procedures, a small business must pay 110% of their previous year's taxes in estimated taxes. Under the new laws, small businesses may reduce their estimated payments to 90% of the previous year's taxes, helping to boost liquidity and align estimated payments with actual taxes.

Tax Assistance

The IRS, courtesy of the Economic Stimulus Act of 2008, has greatly expanded tax write-offs in an effort to put more money in the pockets of small business owners. Section 179 of the Internal Revenue Code provides that a business with sufficiently small amount of annual property purchases may choose to expense the cost of that property. The previous limit was \$128,000; currently the maximum has been increased to \$250,000 for property placed into service in tax years that begin in 2008. In addition, a business may also depreciate 50% of the adjusted basis (after taking out any section 179 expensing) of qualified property in the year in which it is placed into service, while still taking regu-

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Loan Assistance

The Treasury Department has made it a priority to provide small businesses access to credit. To accomplish that goal, they unrolled recently a further extension of the Financial Stability Plan geared towards small businesses through enhancements in Small Business Administration ("SBA") loans. The Treasury Department announced that they stand ready to purchase up to \$15 billion in securities pooled from the SBA's Largest Loan Program for Small Businesses (7(a) loans) and the Community Development Loan Program (504 loans).

In addition, the government will temporarily raise the guarantee on SBA 7(a) loans from 75% to 90% in an effort to make banks more willing

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to loan to small businesses. Along with the increased guarantee, the new rules eliminate SBA fees for 504 loans (both borrower and lender fees), eliminate the up-front fees for 7(a) loans, and refund any SBA fees paid since February 17, 2009.

Investment Incentives

Along with the direct tax advantages and lending fee waivers provided in the ARRA, there are additional investor incentives. An investor in a small business who holds their investments for at least five years will have 75% of the capital gains realized in the sale of the investment excluded from taxation entirely. President Obama has proposed in his budget to eliminate all capital gains taxes on small businesses and to make the measure permanent, but that provision has yet to be enacted and may not be possible in the current business environment.

Conclusion

While a small business cannot expect to run itself into the ground and receive a multi-million dollar

separation award like some rather infamous companies, the recent stimulus activity by Congress and President Obama provides opportunities for virtually every business to take advantage of some of the stimulus programs. Whether through changes to tax and accounting rules, reduced fees and, hopefully, increased access to SBA loan programs, or through changes to the capital gains laws that should induce investors, small businesses across the country have been thrown some length of rope. Make sure that as a business-owner, you're paying attention enough to grab the rope you've been thrown.

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