

# Los Angeles District Office

# SBA SMALL BIZ NEWS SBA

## Resources for America's Small Businesses

FALL 2010, VOL. 2

### President Obama Signs Small Business Jobs Act

On September 27, 2010 President Obama signed the Small Business Jobs and Credit Act, which ensures small businesses have access to the capital they need by extending SBA's successful Recovery loan enhancements and putting local, community banks in a position to be a real partner for small businesses and entrepreneurs.

The Act also includes billions in tax cuts specifically targeted to small businesses so they can put more of their own resources into growing their business.

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### Appointment of SBA Region IX Administrator

Elizabeth Echols is the newly appointed Regional Administrator in Region IX. She will oversee the SBA's programs and services in California, Nevada, Arizona, Hawaii and Guam.

"Both the SBA and small businesses of the region will benefit greatly from Elizabeth's career in public service and commitment to innovation and business development," said SBA Administrator Karen Mills. "Her background in management, technology and green business will be a tremendous asset as we continue to help drive economic growth through support for small businesses throughout the region, and in particular innovative businesses and entrepreneurs with high-growth and job creation potential."



Elizabeth Echols, Regional Administrator in Region IX, U.S. Small Business Administration.

"The SBA is playing a critical role in our nation's economic recovery," Echols said. "I'm excited to have the opportunity to make a difference on the single biggest economic issue facing our country and Region IX – the need to create quality jobs and get people back to work. I'm honored to have the chance to implement the President's plan for economic recovery, which includes giving small businesses the tools they need to grow and drive our economy forward. I look forward to working with Administrator Mills and the talented staff throughout the region to succeed in this important mission."

Echols previously served as Director of the Northern California chapter of the U.S. Green Building Council, where she focused on developing public policy and forging

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### National Export Initiative

The U. S. Small Business Administration is now offering podcasts offering valuable information on issues and challenges small business exporters may find when dealing with specific countries.

The podcasts, featuring interviews with business representatives from Russia, Uganda, Cameroon and Bahrain, are part of a comprehensive effort by SBA to promote and support the President's National Export Initiative. The interviews focus on what U.S. companies can expect when exporting to those countries and provide information relevant to their respective business and import environments.

"U.S. small businesses looking to increase sales and profit should look beyond the U.S. borders. Nearly 96 of the world's consumers live outside the U.S. and small business need to factor that in to their strategic planning," said SBA Administrator Karen Mills. "We're hoping these tools will help them do that, so they can grow and create jobs here at home."

The podcasts are available online at <http://www.sba.gov/tools/audiovideo/Podcasts/index.html> and include transcripts. They provide valuable information on country infrastructure, types of U.S. products and services in demand, cultural tips on how to do business, and other relevant issues.

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# Small Business Jobs and Credit Act

## Summary

The Small Business Jobs and Credit Act gives our nation's small businesses support and incentives to help them grow and hire. The Act authorizes an additional **\$505 million** to extend the two major enhanced benefits, **Fee Wavier/Reduction** and **90% Guaranty**, allowed under Section 501 and 502 of the Recovery Act through 2010.

The bill **immediately extends successful SBA Recovery Act provisions**, meaning that within a few days, it will restart the SBA's Recovery lending, beginning with the more than 1,300 small businesses that have been waiting to get the credit they need – with thousands more benefitting in the coming weeks.

And the bill includes **eight new small business tax cuts – all effective as of Monday, September 27, 2010 and applying to small businesses' taxes for this year** – providing an immediate incentive for businesses to make new investments and expand.

## Extensions can Support \$14 Billion in Loans

Extending these Recovery Act loan enhancements:

- Increase guarantees for SBA's largest loan program (the 7(a) program) to 90%
- Reduce fees for the 7(a) and 504 program – has the capacity to support \$14 billion in lending to small businesses.
- SBA Recovery loan provisions have supported \$30 billion in lending to over 70,000 small businesses.
- Small Business Intermediary Lending Pilot - The law provides \$16 million over the next three years for an intermediary-facilitated microloan program that will target small businesses needing microloans up to \$200,000.

## SBA to Support Larger Loans

The bill also increases the maximum loan size for SBA loan programs, which in the coming weeks will allow more small businesses to access more credit to enable them to expand and create new jobs. The bill:

- **Permanently raises the maximum loan size for the SBA's two largest loan programs**, increasing maximum 7(a) and 504 loan size from \$2 million to \$5 million and the maximum 504 manufacturing related loan size from \$4 million to \$5.5 million.
- **Permanently raises the maximum loan size for SBA microloans**, increasing it from \$35,000 to \$50,000 and strengthening a critical tool for entrepreneurs and business owners in underserved markets to access start-up capital.
- **Temporarily raises the maximum loan size for SBA Express loans from \$350,000 to \$1 million**, providing greater access to working capital loans that small businesses use to purchase new inventory and take on their next order – allowing them to create new jobs.

## SBA to Refinance Owner-Occupied Real Estate Mortgage into 504 Program

- **504 refinancing** will be rolled out after SBA completes the regulations and program guidance for this brand new program in four to six months.
- Letting small businesses refinance into 504 is a win-win. It will provide the business owner with more stable financing. And, for the lenders who hold those mortgages, it will free up capital to make more small business loans.
- Many small business mortgages will mature in the next few years, and face balloon payments—with real estate values having taken a hit, many of these business owners will have trouble getting a bank to refinance them.

## Federal Contracting Opportunities

- **Equal Treatment across Federal Contracting Programs**
  - The law reaffirms “parity” among federal small business contracting programs. Contracting officers will be free to choose among businesses owned by women and service-disabled veterans, as well as those participating in HUBZone and 8(a) programs, and soon the women’s contracting program when conducting contracts that are set-aside for small business.
- **Better Playing Field for Small Businesses – more accountability, integrity, transparency**
  - The law gives agency procurement officers more ability to provide both large prime contracts and micro contracts to small businesses. The law makes it harder for agencies to “bundle” contracts, a practice that often takes opportunities away from small business. The law also has stronger enforcement so agencies will be held more accountable for reaching small business goals.
  - The law enforces stronger subcontracting plan requirements for large prime contractors to ensure small businesses are utilized in subcontracting. It also discourages late payments to small subcontractors.
  - The law enforces SBA’s continuing efforts to combat fraud, waste, and abuse. Federal agencies, including the Department of Justice, will have more ability to vigorously pursue companies that win contracts by misrepresenting their small business status.
- **Small Business Teaming Opportunities**
  - The law provides \$10 million for a new pilot that provides grants that will help small businesses team up with each other to compete for larger and more complex federal government contracts.

## Promotes Small Business Exporting

- **Export Express Pilot Becomes Permanent**
  - The law turns the Export Express pilot loan program into a permanent program with 90% guarantees for loans up to \$350,000 and 75% for loans between \$350,000 and \$500,000.
- **State Trade and Export Promotion Grants Pilot**
  - The law provides \$60 million in competitive grants over next three years for states to help small business owners with exporting.
- **Increased Staff and Strengthened Export Counseling Resources.**

## Treasury to Implement Small Business Lending Fund

In addition to the SBA provisions, Treasury is working to quickly implement two new programs designed to support private-sector lending to credit-worthy small businesses, and expects to release further details in the coming weeks concerning applications for these programs.

- The **Small Business Lending Fund** would make available \$30 billion in capital to small banks with incentives to increase small business lending, potentially supporting several multiples of that amount in new credit.
- The **State Small Business Credit Initiative** will support at least \$15 billion in new lending by strengthening state small business programs – many of them facing budget cuts – that leverage private-sector lenders to extend additional credit.

## Expands Training and Counseling

- **Major Investment in Counseling and Training**
  - The law provides \$50 million in grants available to Small Business Development Centers.

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# Small Business Jobs and Credit Act

## Eight Small Business Tax Cuts

The President had already signed into law eight small business tax cuts, and the Act adds another eight new tax cuts that go into effect immediately.

### For Example:

- if you are a small business and you buy new equipment, you can immediately write off the first \$500,000 of your investments;
- if you are one of over one million eligible small businesses, key long-term investments in your company will be subject to zero capital gains taxes;
- if you are an entrepreneur and take a chance on a new idea, you can deduct the first \$10,000 of your start-up costs;
- and if you are self employed you can deduct 100 percent of the cost of health insurance for you and your family from your self-employment taxes.

### Zero Taxes on Capital Gains from Key Small Business Investments:

Under the Recovery Act, 75 percent of capital gains on key small business investments this year were excluded from taxes. The Small Business Jobs Act temporarily puts in place for the rest of 2010 a provision called for by the President – elimination of all capital gains taxes on these investments if held for five years. **Over one million 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.**

### Extension and Expansion of Small Businesses' Ability to Immediately Expense Capital Investments:

The bill increases for 2010 and 2011 the amount of investments that businesses would be eligible to immediately write off to \$500,000, while raising the level of investments at which the write-off phases out to \$2 million. Prior to the passage of the bill, the expensing limit would have been \$250,000 this year, and only \$25,000 next year. **This provision means that 4.5 million small businesses and individuals will be able to make new business investments today and know that they will earn a larger break on their taxes for this year.**

### Extension of 50% Bonus Depreciation:

The bill extends – as the President proposed in his

budget – a Recovery Act provision for 50 percent “bonus depreciation” through 2010, providing **2 million businesses, large and small, with the ability to make new investments today and know they can receive a tax cut for this year** by accelerating the rate at which they deduct capital expenditures.

### A New Deduction of Health Insurance Costs for Self-Employed:

The bill allows **2 million self-employed to know that on their taxes for this year, they can get a deduction for the cost of health insurance** for themselves and their family members in calculating their self-employment taxes. This provision is estimated to provide over \$1.9 billion in tax cuts for these entrepreneurs.

### Tax Relief and Simplification for Cell Phone Deductions:

The bill changes rules so that the use of cell phones can be deducted without burdensome extra documentation – making it easier **for virtually every small business in America to receive deductions that they are entitled to, beginning on their taxes for this year.**

### An Increase in the Deduction for Entrepreneurs' Start-Up Expenses:

The bill **temporarily increases the amount of start-up expenditures entrepreneurs can deduct from their taxes for this year** from \$5,000 to \$10,000 (with a phase-out threshold of \$60,000 in expenditures), offering an immediate incentive for someone with a new business idea to invest in starting up a new small business today.

### A Five-Year Carryback Of General Business Credits:

The bill would allow certain small businesses to “carry back” their general business credits to offset five years of taxes – **providing them with a break on their taxes for this year** – while also allowing these credits to offset the Alternative Minimum Tax, reducing taxes for these small businesses.

### Limitations on Penalties for Errors in Tax Reporting That Disproportionately Affect Small Business:

The bill would change, **beginning this year**, the penalty for failing to report certain tax transactions from a fixed dollar amount – which was criticized for imposing a disproportionately large penalty on small businesses in certain circumstances – to a percentage of the tax benefits from the transaction.

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alliances to support green jobs, and furthered the development of one of the nation's fastest growing non-profits. Previous to the U.S. Green Building Council, she co-led the agency review process for the National Telecommunications and Information Administration during the Obama-Biden Transition Project, and served as Director of Policy for nearly four years at Google, where she managed the development and implementation of global policies for Google's consumer and business products.

Echols worked on Internet and telecommunications issues at the White House and the Department of Commerce under President Bill Clinton and Vice President Al Gore. She earned a bachelor's degree from Yale and a J.D. from Stanford Law School.

Echols will oversee 120 employees in 12 offices, including the California district offices in Sacramento, San Francisco, Fresno, Santa Ana, San Diego, and Los Angeles; as well as offices in Las Vegas and Reno, Nevada; Tucson and Phoenix, Arizona; Honolulu, Hawaii; and Hagatna, Guam. SBA has supported more than 11,000 Recovery loans in Region IX, worth nearly \$6 billion.