



NEWS & VIEWS
WISCONSIN DISTRICT OFFICE
Issue 2 - FY 2010
Helping small businesses **start, grow and succeed**

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EXPIRATION OF TEMPORARY RECOVERY ACT LOAN ENHANCEMENTS AND REACTIVATION OF THE RECOVERY LOAN QUEUE

The U.S. Small Business Administration (SBA) is finalizing plans for an orderly transition from SBA loans with temporary enhancements provided under the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Recovery Act loans will no longer be available after expiration of the authority for the higher guaranty on 7(a) loans (February 28, 2010) and exhaustion of funds for the higher guaranty and for fee relief under the 7(a) and 504 programs.

Fee relief 7(a), 504 loans, and an increased guaranty percentage on eligible 7(a) loans originally were authorized when President Obama signed the Recovery Act into law on February 17, 2009 (P.L. 111-5). Section 502 of the Recovery Act authorized SBA to guarantee up to 90 percent on eligible 7(a) loans through February 16, 2010. Subsequently, provisions in the Department of Defense Appropriations Act, 2010 (P.L. 111-118), signed by President Obama on December 19, 2009, authorized an extension of the higher guaranty to February 28, 2010. Fee relief on certain 7(a) and 504 loans under Section 501 of the Recovery Act is authorized until September 30, 2010 or until funds provided for that purpose are exhausted.

Because the authority for the higher guaranty expires on February 28, 2010, 7(a) applications submitted under delegated processing must receive a valid SBA loan number on or before 11 pm EST, February 28, 2010 in order to be eligible for the higher guaranty. Loan applications submitted under non-delegated processing must be received by the Loan Guaranty Processing Center in complete form no later than February 20, 2010

Because of the success of these two provisions in spurring increased SBA-backed lending, original funding for both provisions was exhausted in late November. At that time, SBA activated the Recovery Loan Queue as it worked with the White House and Congress for additional funds to resume lending with Recovery Act enhancements. The Recovery Loan Queue allowed small business borrowers to continue to apply for loans with those benefits in anticipation that cancellations of previously approved Recovery Act loans and the possibility of additional funding from Congress might allow those applications to be funded. When additional funding was provided in December to cover the costs of the Recovery Act lending enhancements, the applications that were in the Recovery Loan Queue were funded.

SBA is monitoring lending activity daily to determine the date at which we anticipate current funding for these two Recovery Act loan enhancements to be exhausted. As SBA nears that point, the Agency will once again implement a transition period that will include the re-activation of the Recovery Loan Queue. SBA expects to implement the Recovery Loan Queue before February 28, 2010. Eligible 7(a) loan applications that are in the Recovery Loan Queue and are funded before February 28 will receive both fee relief and an increased guarantee percentage. However, any application that is in the Recovery Loan Queue that is funded after February 28 will only be eligible for fee relief, unless Congress again extends the authority for the increased 7(a) guarantee.

Sometimes, previously approved loans are later cancelled or never disbursed for a variety of reasons. The Recovery Loan Queue takes this into account and beginning on the transition date will allow eligible small businesses, in consultation with their lenders, to choose to be placed in the Recovery Loan Queue for possible approval for a Recovery Act loan if funding becomes available. During this time, funding for non-Recovery Act SBA-backed loans under the 7(a) and 504 programs will continue to be available with all applicable fees and lower guaranty levels.

The Recovery Loan Queue will ensure that SBA has a system in place to utilize any funds that might become available as a result of cancelled or undisbursed loans. This system will result in the maximum usage of Recovery dollars and make sure that as many small businesses as possible have the chance to take advantage of these programs. SBA will issue further guidance on the Recovery Loan Queue at a later date.

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SBA is communicating with its lending partners on the transition process and will work to ensure every remaining dollar possible is made available to help small businesses drive economic recovery across the country.

Given the impact these provisions have had in getting much-needed capital in the hands of small businesses, the SBA and the Obama Administration are working closely with Congress to obtain renewed authorization and sufficient funding to continue both provisions.

Questions concerning this Notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/idc/groups/public/documents/wi_milwaukee/wi_personnel_territories.pdf.

WISCONSIN SBA UPDATED RECOVERY INFORMATION



America's small businesses are the key to our nations' economic recovery and, as of February 19, 2010, SBA has approved 1,809 7(a) and 504 Recovery Act-funded loans supporting \$700,708,650 in lending to Wisconsin small businesses.

As of February 19, 2010, Wisconsin's District Office has approved 492 ARC loans totaling \$16,628,761. The SBA is using every tool in our toolbox—and creating new ones when necessary—to help small businesses lead us out of these tough economic times.

SAVE THE DATE FOR A SMALL BUSINESS FORUM

You are Invited to attend a Small Business Forum - Brought to you by the Internal Revenue Service

Wednesday, March 31, 2010 from 9:30 a.m. to 11:30 a.m. at 211 West Wisconsin Avenue, Room 208, Milwaukee.

The **Small Business Forum** is an opportunity for organizations representing the small business/self-employed taxpayer to receive the most current small business information. Representatives from the organizations will have the ability to network with each other and elevate their concerns and issues to us. The following topics will be covered:

- IRS Products For Small Business Owners
- USPS Tips for Small Business Owners
- IRS Collection Assistance for Distressed Taxpayers
- Sales & Use Tax, Business Registration, Record Keeping—WI Department of Revenue
- Better Business Bureau—Benefits and Services
- What's New at the Small Business Administration
- Bartering
- How to select a Tax Preparer

Please RSVP to Kathy Mostowik via e-mail Kathleen.M.Mostowik@irs.gov or call 414-297-2147

PRESIDENT OBAMA OUTLINES LATEST IN NEW SMALL BUSINESS PROPOSALS

Successful SBA Programs Expanded to Increase Working Capital, Help Business Refinance

On February 5, 2010, President Obama proposed the expansion of two critical Small Business Administration (SBA) lending programs, aimed at allowing small businesses to refinance and increasing limits for working capital. These are both legislative proposals designed to help small businesses through what continues to be a difficult period in credit markets.

Details of the President's New Small Business Initiatives

1. Expand SBA's existing program to temporarily support financing for owner-occupied commercial real estate loans:

The Administration is proposing legislation to temporarily allow for the refinancing of owner-occupied commercial real estate (CRE) loans under the SBA's 504 program, which provides guarantees on loans for the development of real estate and other fixed assets. Currently, 504 loans cannot be used for the refinancing of maturing debt. This change would respond to the difficulties many current, solvent borrowers face in refinancing existing commercial real estate loans.

Businesses with a loan maturing in the next year that are current on all loan payments will be eligible. Lenders that are refinancing mortgages for existing customers will make a loan for up to 70 percent of the current property value; and SBA will help finance the remaining 20 percent. For new lenders taking on a refinancing project, SBA will take on a greater share of financing, up to 40 percent. SBA's proposal for a temporary, zero-subsidy CRE refinancing program would be funded through additional fees for refinancing projects, not through a Congressional appropriation. This proposal will help refinance up to \$18.7 billion each year in a commercial real estate that might otherwise be foreclosed and liquidated.

2. Temporarily increase the cap on SBA Express loan from \$350,000 to \$1 million:

The President is proposing to temporarily increase the maximum SBA Express loan size to \$1 million, which would expand the program's ability to help a broad range of small businesses through a streamlined approval process. Unlike traditional 7(a) loans, lenders can use their own paperwork for SBA Express loans, which can be structured as revolving lines of credit. Currently, these Express loans are capped at \$350,000 and carry a 50 percent guarantee. Fees would cover virtually all of the added costs of this proposal.

The proposals complement the President's broader small business agenda—a key part of his overall jobs plan. The other elements of the small business agenda include:

- Extending small business expensing and bonus depreciation for 2010. Eliminating capital gains taxes for small businesses in 2010.
- A Small Business Jobs and Wages Tax Credit that would cut taxes for more than 1 million small businesses by paying up to \$5,000 for every net new job and covers payroll taxes on overall wage increases in excess of inflation.
- A proposal to transfer, through legislation to a new Small Business Lending Fund that will support lending by community and smaller banks.
- Additional SBA lending proposals, including an extension of the Recovery Act programs that eliminate fees and raise guarantees on SBA's two largest loan programs and permanent increases in the maximum loan sizes for major SBA programs.

SBA 8(A) CLIENT RECEIVES COMMANDERS CERTIFICATE

On February 18, 2010, UPI Manufacturing was presented with the Commander's Certificate by the Defense Contract Management Agency. The Certificate was awarded in recognition of exceptional service to the War fighter & DCMA Tactical Wheeled Vehicles-Milwaukee. UPI's primary focus is to be of service to the United States War fighters. They have promptly supplied products to fulfill over 365 Military Contracts. The majority of the contracts have been rated critically A or B.

In the last 6 years, UPI has provided 450,000 quality parts to the United States Military and has a 100% Quality Rating and a 100% On Time Rating. Jeff Dretzka Sr., President, and Owner of UPI accepted the certificate from DCMA Commander Jason T. Craft.

SAVE THE DATE

2010 SMALL BUSINESS WEEK

The nation's top entrepreneurs will be honored at the U.S. Small Business Administration's National Small Business Week events to be held May 23-25, in Washington, D.C. A series of events and educational forums will mark the 57th anniversary of the agency and the 47th annual proclamation of National Small Business Week. . The highlight of the celebration will be the announcement of the *National Small Business Person of the Year*. Additional information on the Small Business Week 2010 events is available at www.nationalsmallbusinessweek.com.

SBA's celebration of Wisconsin's 2010 Small Business Winners and Champions will be held on June 4, 2010 at the Italian Community Center in Milwaukee, WI. For more information on Wisconsin's celebration, please contact Mary Trimmer at 414-297-1093 or Mary.Trimmier@sba.gov.

IRS NEWS FOR BUSINESS

Haiti Relief Donations Qualify for Immediate Tax Relief

People who give to charities providing earthquake relief in Haiti can claim these donations on the tax return they are completing this season, according to the Internal Revenue Service. Taxpayers who itemize deductions on their 2009 return qualify for this [special tax relief provision](#), enacted Jan. 22. Only cash contributions made to these charities after Jan. 11, 2010, and before March 1, 2010, are eligible. This includes contributions made by text message, check, credit card, or debit card.

IRS Announces Qualified Disaster Treatment for Haiti

The Internal Revenue Service today issued [guidance](#) that designates the earthquake in Haiti in January 2010 as a qualified disaster for federal tax purposes. The guidance allows recipients of qualified disaster relief payments to exclude those payments from income on their tax returns. In addition, the guidance allows employer-sponsored private foundations to assist victims in areas affected by the January 2010 earthquake in Haiti without affecting their tax-exempt status.

The IRS Reminds Tax-Exempt Organizations of All Sizes to File the Form 990 on Time to Preserve Their Tax Exempt Status

The Internal Revenue Service is [reminding](#) tax-exempt organizations to make sure they file their annual information form on time. In 2010, the tax-exempt status of any non-profit that has not filed the required form in the last three years will be revoked.

The Health Coverage Tax Credit and the COBRA Subsidy

Some people who are eligible for the COBRA subsidy, [which has been extended through February](#) also qualify for the [health coverage tax credit \(HCTC\)](#) and may want to choose this more generous benefit, instead. The HCTC pays 80 percent of health insurance premiums for those who qualify. Eligible individuals must be receiving Trade Adjustment Assistance benefits or be over the age of 55 and receiving pension payments from the Pension Benefit Guaranty Corporation. Individuals must also be enrolled in a qualified health plan.

New Homebuyer Credit Form Released; Taxpayers Reminded to Attach Settlement Statement and Other Key Documents

The Internal Revenue Service has [announced](#) the release of the new form that eligible homebuyers need to claim the first-time homebuyer credit this tax season and announced processing of those tax returns will begin in mid-February. The IRS also announced new documentation requirements to deter fraud related to the first-time homebuyer credit. The new [Form 5405](#) and related [instructions](#) are now available.

New Online Small Business Tax Workshop

Small business clients may be interested in the [revised Virtual Small Business Tax Workshop](#) with updated content, interactive features and a new reference section.

- Archived material from a recent identity theft [webinar](#) and other presentations is available.

- IRS.gov has [educational materials](#) to help recognize and avoid the pitfalls of “too good to be true” abusive tax schemes.

e-commerce links:

[Tax Consequences of Virtual World Transactions](#) Online games create computer-generated settings for multiple users to interact as characters called **avatars**. These avatars frequently exchange goods and services in both the real and virtual worlds. Cyber-economic activities in the online world may have tax consequences that real world avatar counterparts need to consider.

[E-Business & E-Commerce Tax Center](#). ([Other Tax Centers](#) include the Agricultural Industry and the Trucking Industry)

[Electronic Business](#) is a term representing the impact of computers, telecommunications, electronic payment systems, computer software, data networks, and other technologies on business transactions and business practices. E-Business is more encompassing than just E-Commerce and includes the internal operations of a business, such as purchasing, accounting, and internal information management technologies.

- Find [The “What Ifs” of an Economic Downturn](#).
- There are new procedures to determine the amount of income tax to withhold from nonresident alien employees for wages paid in 2010. Section 9 of the [2010 Publication 15](#), (Circular E), Employer's Tax Guide has the details.
- [Notice 09-95](#) delays the effective date on the use of smartcards, debit or credit cards, or other electronic media to provide qualified transportation fringes under Section 132(f), until January 1, 2011.
- [Notice 10-09](#) clarifies that, for calendar year 2009, filers of Form 1099-B, Form 1099-S, and certain information on Form 1099-MISC have until February 16, 2010, to report both the information required on these forms and certain other tax information furnished on the same date.
- New [Publication 4819](#), *Important Information about the First Time Homebuyer Credit*, is now available.
- [Fact sheets](#), tax tips, u-tubes and podcasts on 2010 tax issues include [Fact Sheet 10-3](#) for information on choosing a tax return preparer and avoiding preparer fraud.
- [IR-10-01](#) The IRS Return Preparer Review Report recommends mandatory testing, registration and continuing education for paid tax return preparers beginning in 2011.
- Form 2210 instructions explain the procedure for a waiver of underpayment of estimated tax penalty if the underpayment was caused by adjustments made in the income tax withholding tables that took effect in spring 2009.

Due to space limitations of our Newsletter, we no longer will be listing the Loan Approvals in the Newsletter. The Loan Approvals can be viewed (by month and year-to-date) on our Website at

<http://www.sba.gov/localresources/district/wi/news/index.html>.