



CORNERSTONE

GOVERNMENT AFFAIRS

MEMORANDUM

TO: NLA BOARD MEMBERS AND ASSOCIATION PRESIDENTS
FROM: CORNERSTONE GOVERNMENT AFFAIRS
SUBJECT: SMALL BUSINESS JOBS AND CREDIT ACT OF 2010
DATE: SEPTEMBER 29, 2010

On September 27, 2010, President Obama signed into law H.R. 5297, the Small Business Jobs and Credit Act of 2010. In summary, the law will establish a \$30 billion lending fund for small businesses, provide \$12 billion in tax breaks and make changes to federal small-business programs to address the ongoing effects of the financial crisis on small businesses. Highlights of the measure include:

- **New Small Business Lending Fund** – Creates a \$30 billion Small Business Lending Fund for the Treasury secretary to make capital investments in eligible community banks in order to increase the availability of credit for small businesses;
- **Capital Gains** - Allows investors to exclude the gains from the sale of certain small-business stock from their income for tax purposes if the stock is held for more than five years;
- **Carry Back of Business Tax Credits** - Allows small businesses to carry back general business tax credits to offset their tax burdens from the previous five years;
- **Small Business Grants** - Establishes a state small-business credit initiative to provide \$1.5 billion in grants to existing successful state small-business programs that help private lenders extend more credit to small businesses;
- **Pilot Loans** - Establishes a three-year small-business intermediary lending pilot program to make loans to newly established small businesses for working capital, real estate and fixed assets;
- **SBA Loan Cap Raise** - Raises the cap on Small Business Administration 7(a) loans designed for startup and existing small businesses and would increase the government guarantees on those loans from 75 percent to 90 percent;
- **Doubled Deduction** - Doubles from \$5,000 to \$10,000 the amount of startup expenditures that may be deducted;
- **Share Waived** - Allows the SBA to waive or reduce the state-matching share of its funding requirement for up to one year to continue providing technical assistance to underserved communities to start and grow small businesses;
- **504 Loan Program Increased** - Increases the maximum loan amount for the Small Business Administration's 504 loan program, which provides long-term, fixed-rate financing for fixed assets;
- **Increased penalties** - Increases the penalties for failing to file information returns. Under the bill, non-filers could be fined up to \$1.5 million, up from \$250,000;
- **New 1099 Provision** – Finally, the bill amends a provision in the 2010 health care law (PL 111-148) to require rental property owners to file 1099 tax forms for payments of certain expenses associated with their rental real estate. It also would eliminate a requirement in current law that employees pay taxes on the value of certain transmissions they send on employer-provided cell phones.