

Celebrating Entrepreneurs during National Small Business Week

This week, our nation observes “National Small Business Week,” celebrating the small firms and innovative entrepreneurs who are the backbone of our economy. Small businesses generate between 60 and 80 percent of all new jobs. As this job creating potential is even more vital during economic downturns, much of our nation’s economic recovery hinges on the success of small firms.

Since January, Congress has passed and the President has signed into law measures that will steer \$15 billion in tax relief to small firms, generate \$21 billion in new lending and investment for small businesses and create \$29.9 billion in new contracting opportunities for entrepreneurs. Congress is also helping small companies grow by: improving entrepreneurial development programs; creating new opportunities in the green economy; and supporting veterans interested in launching their own enterprises. Entrepreneurs are key to our economic recovery and Democrats are committed to helping them grow and succeed.

Strengthening Entrepreneurial Development Programs that Help Small Firms Succeed

- This week, the House passed H.R. 2352, the “Job Creation through Entrepreneurship Act,” legislation modernizing Entrepreneurial Development (ED) Programs at the Small Business Administration for the first time in ten years.
- ED programs have a strong track record of helping small businesses flourish. Firms that take advantage of ED programs are twice as likely to succeed. For every \$1 that’s invested in ED programs, it is estimated that there is a \$2.87 return to the Treasury. Last year alone, ED programs helped create 73,000 jobs. Given the job creating benefits of these programs, it makes sense to update them now, so they may contribute to our economic recovery.
- The legislation specifically targets ED resources toward addressing the economic downturn. The bill will assist dislocated workers interested in starting their own business; establish survival tools that small companies can access via the Internet; and offer expert consulting and education to assist troubled small businesses.
- H.R. 2352 also makes better use of distant learning technology, like satellite and video conferencing, so that small firms located in rural and remote areas can better access these services.
- During debate, the House approved several amendments to further improve H.R. 2352. For example, the House passed amendments to establish a network of “microenterprise” training centers in low income communities, as well as help small manufacturers retool to adjust to the challenging economy.

Creating New Contracting Opportunities and Helping Small Companies Compete in the Federal Marketplace

- The American Recovery and Reinvestment Act (ARRA) contains over \$130 billion in funds for infrastructure improvements. It is expected that small firms will receive as much as \$29.9 billion worth of infrastructure work from the ARRA.
- In addition, the Small Business Administration’s surety bond program receives \$15 million under the ARRA, including larger bonding authority, to help small firms obtain construction related projects.
- For these reasons, the Job Creation through Entrepreneurship Act further helps small companies compete for these opportunities. The bill establishes a procurement training program to work with local agencies to identify contracts that are suitable for local small firms and helps small firms comply with federal regulations and bonding requirements.
- H.R. 2352 also contains provisions to help veteran-owned small businesses receive their fair share of secure federal contracts.

Supporting Veteran Entrepreneurs

- H.R. 2352 creates, for the first time, a nationwide network of Veterans Business Centers to provide specialized entrepreneurial training and counseling to veterans.
- Veterans make up 14% of self employed individuals. With 135,000 servicemen and women returning from Iraq and Afghanistan and more on the way, H.R. 2352 will help veterans launch their own businesses.
- As the ability to access credit is a critical challenge right now, the legislation includes an Access to Capital grant program that will assist veteran-owned small businesses in securing capital, repairing damaged credit and accessing affordable credit.

Generating \$21 Billion in New Lending and Investment for Small Businesses.

- In order to provide assistance to and immediately stabilize struggling small businesses, the ARRA creates a new program of interest free loans of \$35,000 through a new “Small Business Stabilization Financing Program” at the Small Business Administration (SBA). Borrowers would have one year before they need to begin repayment and five years to repay the loans.
- By cutting the upfront costs borrowers pay, as well as service costs associated with loans, the ARRA will make credit more affordable for small business owners. This means a small business can access capital now and will have to pay back less as it repays the loan.
- The ARRA will also encourage local banks to lend to small businesses by increasing the percentage of a loan that the federal government guarantees. By raising to 90% the amount of a loan that the SBA will back, the bill reduces risk for lenders, making it easier to obtain credit.
- Banks will also have more capacity to lend to small businesses under the ARRA, as the legislation will help to unclog the secondary market for small businesses.
- In addition, the “Job Creation through Entrepreneurship Act” contains measures to help small businesses repair damaged credit, facilitate borrowers’ access to traditional and non-traditional financing sources, and help small firms navigate the process of obtaining capital.

Boosting Entrepreneurs’ Role in the Green Economy

- Small firms are at the forefront of the green economy. In fact, 80% of renewable fuel producers are small businesses. By supporting renewable fuel growth, we are expanding opportunities for entrepreneurs.
- The ARRA provides \$20 billion in tax incentives for renewable energy and energy efficiency over the next 10 years. These include incentives for electricity derived from wind, biomass, geothermal, hydropower, landfill gas, waste-to-energy, and marine facilities.
- H.R. 2352 will further boost small firms’ role in the green economy. The bill establishes a green entrepreneurial development program, which will provide education classes and one-on-one instruction in starting a business in the fields of energy efficiency and green technology.

Providing \$15 billion in Badly Needed Tax Relief to America’s Small Firms. Specifically, Congress has passed and the President has signed into law measures that:

- Increase Section 179 expensing limits. This lets small business owners fully depreciate capital purchases for items like trucks, computers and other equipment the same year it is purchased. This encourages small businesses to make purchases now, while also putting more money back into their pockets this year so they can grow.
- Allow firms to receive a refund for taxes paid during past, profitable years when the economy was stronger. By extending the carry back period for Net Operating Losses from two to five years, the bill lets small businesses that have suffered losses over the past couple of years go back to years in which they made a profit and receive a tax refund. This means small businesses can receive a refund now for taxes they paid during past, profitable years, providing an immediate cash infusion.
- Delay the onerous 3 percent withholding tax on payments to government contractors. This will help firms that do significant business with the federal government, including firms that will receive federal contracts through other parts of the bill.
- Provide relief from the Alternative Minimum Tax, which hits tens of thousands of small business owners.
- Establish tax credits for small businesses hiring recently discharged veterans and out-of-work youth.

Bolstering Support for Research and Development and Competitiveness.

- Through grants administered by the Small Business Innovation Research program and the Small Business Technology Transfer program, small research companies could see \$150 million from the ARRA.
- Congress has provided \$70 million for the Technology Innovation Program (TIP), which funds high-risk, high-reward research in areas of critical need, as well as \$30 million for the Manufacturing Extension Partnership (MEP), a nationwide network of 400 not-for-profit centers that focus on improving the manufacturing sector’s competitiveness.