



From the Office of

U.S. CONGRESSMAN MIKE ROSS

Arkansas's Fourth Congressional District

A large, stylized map of Arkansas is centered on the page. The map is filled with a light pink color and has a white border. Overlaid on the map is a diamond-shaped pattern of blue and white stars, reminiscent of the Arkansas state flag.

Small Business Guide

*A Resource for Small Business Owners and
Entrepreneurs*

Prepared February 2011

MIKE ROSS

FOURTH DISTRICT OF ARKANSAS

WASHINGTON

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**HOUSE COMMITTEE ON
ENERGY AND COMMERCE**

SUBCOMMITTEES:
HEALTH
ENERGY AND ENVIRONMENT
OVERSIGHT AND INVESTIGATIONS

**HOUSE COMMITTEE ON
FOREIGN AFFAIRS**

**NORTH ATLANTIC TREATY
ORGANIZATION (NATO)
PARLIAMENTARY ASSEMBLY**

**Congress of the United States
House of Representatives**

February 3, 2011

Dear Friends:

As a former small business owner, I understand the important role small businesses play in the cities and towns all across Arkansas. Our small businesses are the reason we have seen some positive economic indicators in recent weeks. Private sector job growth is the only way we are going to pull through this economic recovery and sustain that progress in the long term.

Small businesses are the backbone of Arkansas's economy. In fact, the 200,000 small businesses in Arkansas employ nearly one million people and provide nearly half of all Arkansas jobs.

When I first ran for Congress, I said I wanted to be an economic ambassador for the state of Arkansas, helping to attract new businesses and grow the ones we have. When times get tough, the federal government can be a helpful resource in securing low-interest loans or grants, new job training, financial advice or disaster assistance in times of need. However, knowing how to take advantage of these services and cutting through the red tape can be difficult.

This Small Business Guide is your resource to getting the support and help you need to open, operate and grow your small business. It contains addresses, phone numbers and websites of helpful resources; a briefing on our nation's economic recovery; and, a series of legislative updates of how new legislation passed over the past two years will affect you and your business. I hope you find this guide informative and useful.

I am and always have been a strong supporter of our small businesses. That's why I will continue working to pass legislation that secures more tax cuts, increases opportunities for lending and investments and ensures the federal government provides every day, hardworking Americans the resources they need to open, own and operate their own business.

Please know that as your Congressman, I hope you will never hesitate to contact my office or me if we can help in any way.

Sincerely,

Mike Ross

HOT SPRINGS

300 EXCHANGE STREET
SUITE A
HOT SPRINGS NATIONAL PARK, AR 71901
(501) 520-5892
(501) 520-5873 FAX

PINE BLUFF

GEORGE HOWARD JR. FEDERAL BUILDING
100 EAST 8TH AVENUE
ROOM 2521
PINE BLUFF, AR 71601
(870) 536-3376
(870) 536-4058 FAX

EL DORADO

UNION COUNTY COURTHOUSE
SUITE 406
101 NORTH WASHINGTON
EL DORADO, AR 71730
(870) 881-0681
(870) 881-0683 FAX

PRESCOTT

221 WEST MAIN STREET
PRESCOTT, AR 71857
(870) 887-6787
(870) 887-6799 FAX

Federal Resources for Small Businesses

- **U.S. Small Business Administration**

Congress created the Small Business Administration (SBA) in 1953 to encourage independently owned and operated enterprises. Self-proclaimed as the "small business resource," the SBA has extensive online resources that can help you open your own business. A field office is also located in Little Rock for your convenience.

Small Business Administration – Arkansas Office

2120 Riverfront Drive, Suite 250
Little Rock, AR 72202-1796
Telephone: 501.324.7379 - Fax: 501.324.7394
<http://www.sba.gov>

Other SBA Information:

SBA Answer Desk: 800-827-5722
Disaster Loans: 800-659-2955
HUBZone Program: 202-205-8885
SBA Answer Desk: answerdesk@sba.gov
Disaster Loans: disastercustomerservice@sba.gov
HUBZone Program: hubzone@sba.gov

- **SBA Partners in Arkansas**

The SBA also funds partner organizations to provide management training and consulting to entrepreneurs and to help small business owners pursue contracts from the federal government and prime federal contractors.

Arkansas Small Business Development Center

Its main headquarters is on the campus of the University of Arkansas at Little Rock and it has six regional centers around the state. The ASBDC offers free business consulting, a state-of-the-art small business resource library at UALR, and low cost training at its seven locations on a variety of management issues. ASBDC also has extensive online training and publications – for both existing businesses and those just getting started.

- **Arkadelphia (Counties serviced: Clark, Dallas, Garland, Grant, Hot Spring, Howard, Montgomery, Pike, Polk, Sevier)**

Henderson State University
School of Business
P.O. Box 7624
Arkadelphia, AR 71999
(870) 230-5184
MASSEYK@hsu.edu
<http://www.hsu.edu/sbt/dc/>

Federal Resources for Small Businesses (continued)

- **Magnolia (Counties serviced: Calhoun, Columbia, Hempstead, Lafayette, Little River, Miller, Nevada, Ouachita, Union)**
Southern Arkansas University, College of Business
P. O. Box 9192
Magnolia, AR 71754-9379
(870) 235-5033
fabozeman@saumag.edu
<http://web.saumag.edu/business/partners/asbtdc/>

- **Monticello (Counties serviced: Ashley, Bradley, Chicot, Cleveland, Desha, Drew, Lincoln, Jefferson)**
University of Arkansas at Monticello, Harris Hall
1514 Scogin Drive
Monticello, AR 71656
(870) 460-1910
henryl@uamont.edu
<http://www.uamont.edu/sbtdc>

- **Russellville (Counties serviced: Logan, Scott)**
Arkansas Tech University, College of Business, Rothwell Hall
106 West O Street
Russellville AR 72801
(479)356-2067
jreser@atu.edu
<http://www.atu.edu/asbtdc/>

- **SBA Agriculture**

The SBA website also contains information helpful for farmers or those wishing to enter the agriculture industry. The site also lists helpful information from the U.S. Farm Service Agency (FSA), which administers and manages many resources and loan programs that are helpful to agriculture and agriculture-related businesses. <http://www.sba.gov/content/agriculture>

- **Export-Import Bank**

The Export-Import Bank provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans and makes loans to foreign purchasers of U.S. goods and services. <http://www.exim.gov/>

- **U.S. Business Advisor**

There are over 60 Federal agencies with regulations or suggestions for businesses. The SBA has funded the U.S. Business Advisor, to help you gain easy access to the federal agencies that will regulate your business. The website contains the latest information to help your business, a search engine as well as many of the forms you may need to submit to get your business operational, and keep it running legally. <http://www.business.gov/>

Federal Resources for Small Businesses (continued)

- **Internal Revenue Service**

The Internal Revenue Service (IRS) has billed the Small Business section of its web site “Your One-Stop Business Resource.” This site contains streaming video on a variety of small business issues, toll free numbers to reach the IRS, and information on where to file your tax returns. <http://www.irs.gov/businesses/small/>

- **Occupational Safety and Health Administration**

For regulations affecting businesses, the Occupational Safety and Health Administration (OSHA) sets most of the federal standards regarding workplace safety. Within their website is the OSHA Small Business page at <http://www.osha.gov/dcsp/smallbusiness/index.html>. It contains many resources for small businesses to encourage safety and good health within the workplace. This page includes the link to every local OSHA office. The Arkansas Area Office can be contacted at the following location:

Arkansas Area Office
10810 Executive Center Drive
Danville Bldg. #2, Suite 206
Little Rock, AR 72211
Phone: 501.224.1841
Fax: 501.224.4431

Office of U.S. Congressman Mike Ross

I made a pledge when I first came to Congress that I would be an economic ambassador for Arkansas, doing everything I can to create jobs and boost economic development in our area. Small businesses create up to 80 percent of new jobs in this country and they are playing a critical role in our economic recovery. There are numerous federal resources available for small business owners and I want to make sure they get the help they need and deserve. I hope that you will take the time to visit one of my congressional offices most convenient to you if you ever need assistance.

El Dorado

Union County Courthouse, Suite 406
101 North Washington Street
El Dorado, AR 71730
Phone: (870) 881-0681, Fax: (870) 881-0683

Hot Springs

300 Exchange Street, Suite A
Hot Springs National Park, AR 71901
Phone: (501) 520-5892, Fax (501) 520-5873

Pine Bluff

George Howard, Jr. Federal Bldg.
100 East 8th Avenue, Room 2521
Pine Bluff, AR 71601
Phone: (870) 536-3376, Fax (870) 536-4058

Prescott

221 West Main Street
Prescott, AR 71857
Phone: (870) 887-6787, Fax (870) 887-6799

Washington, D.C.

2436 Rayburn House Office Bldg
Washington, DC 20515
Phone: 1-800-223-2220, Fax: (202) 225-1314

- **Employment**

In the week ending January 15, initial unemployment insurance claims decreased by 37,000 to 404,000. Initial claims are 38% below their March 2009 peak. (Employment and Training Administration)

- **Production**

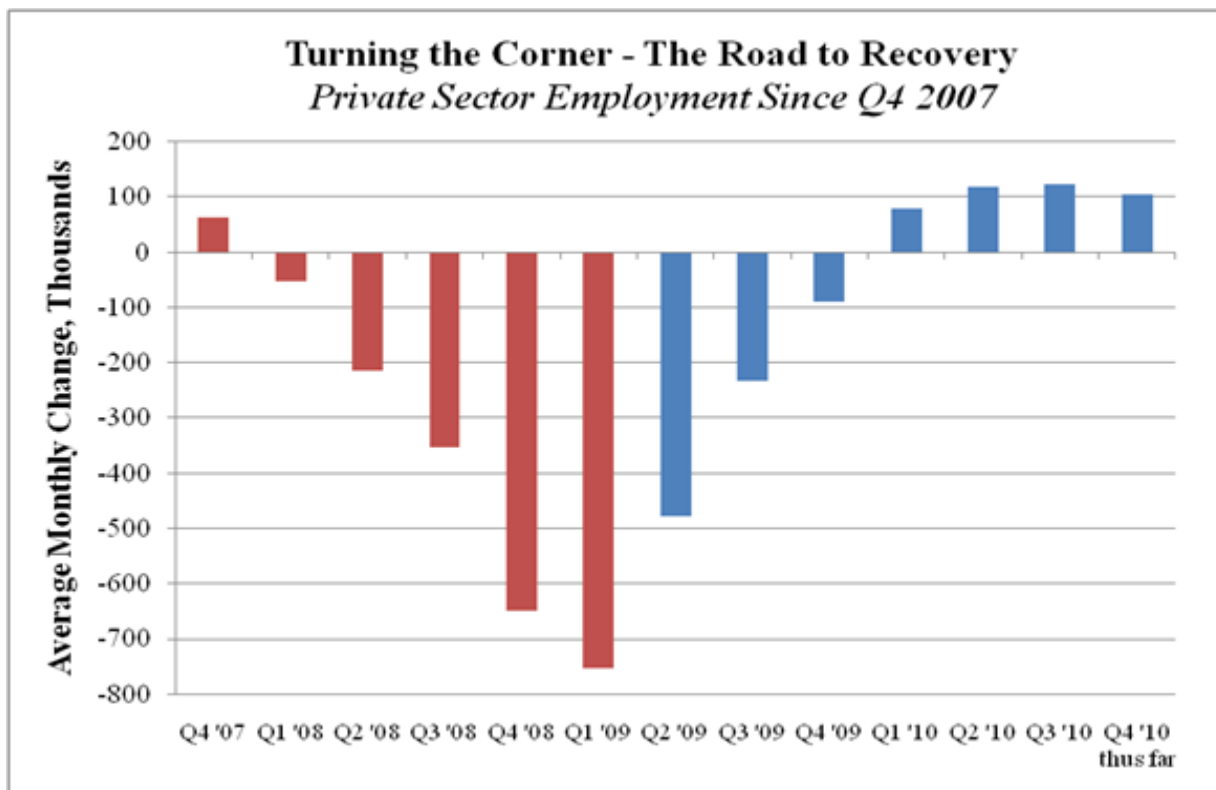
National manufacturing continued to grow in December as the purchasing manager's index (PMI) for manufacturing registered 57 percent, an increase of 0.4 percentage point from November. The PMI indicates growth for the 17th consecutive month in the manufacturing sector. (Institute for Supply Management)

- **Economic Indicators**

Advance estimates of U.S. retail and food service sales for December, adjusted for seasonal and holiday variation, were \$380.9 billion, an increase of 0.6 percent from the previous month and 7.9 percent above December 2009. Total sales for the 12 months of 2010 were up 6.6 percent from 2009, and total sales for the October through December 2010 period were up 7.8 percent from the same period a year ago. (Census Bureau)

- **Housing**

Building permits increased 16.7% to an annual rate of 635,000 units. Single-family permits increased 5.5% and volatile multifamily permits increased 53.5%. (Census Bureau)



Legislative Update: Tax Breaks for Small Businesses

America's entrepreneurs and small business owners continue to grow their businesses and create jobs due to unprecedented tax cuts that have been signed into law over the past two years. This includes billions of dollars in tax relief from laws such as the American Recovery and Reinvestment Act, the Small Business Jobs Act, the HIRE Act and the Tax Relief and Job Creation Act.

Zero Capital Gains Taxes on Key Investments in Small Businesses

- Capital gains taxes have been fully eliminated on certain small business stock – providing an incentive for key investments in small businesses.
- The Recovery Act excluded 75 percent of capital gains from the sale of certain small business investments held more than five years. The Small Business Jobs Act went one step further – excluding all capital gains from these investments in 2010 after the passage of the Small Business Jobs Act from taxes.

Up to \$500,000 Small Business Expensing Limit

- Small businesses can write-off a larger portion of the cost of new equipment purchases in the year of purchase rather than depreciating the cost over time. This provides an immediate tax benefit.
- The Recovery Act increased the maximum amount that small businesses could expense – which otherwise would have been \$125,000 – to \$250,000 for 2009. For 2010 and 2011, the Small Business Jobs Act doubled that to \$500,000 and increased the phase-out threshold to \$2 million.

100% Accelerated/Bonus Depreciation

- All businesses – large and small – are allowed to expense their investments in 2011.
- The Recovery Act allowed businesses to write off the cost of their investments more quickly by allowing up to 50 percent deductions in the first year for investments made in 2009. The Small Business Jobs Act extended this benefit through 2010, and the Tax Relief and Job Creation Act went one step further – allowing up to 100 percent deductions in the first year for investments made between September 8, 2010, and December 31, 2011. It also extended 50 percent bonus depreciation through tax year 2012. Allowing expensing in 2011 will provide a crucial incentive to 2 million businesses – both large and small – to invest and create jobs in the U.S.

Tax Relief/Simplification for Cell Phone Deductions

- The Small Business Jobs Act simplified rules around claiming deductions for business cell phones so that – starting in 2010 – cell phones can be expensed and deducted like other property, without additional, onerous requirements.

Increased Deduction for Entrepreneurs' Start-Up Costs

- For 2010, the Small Business Jobs Act temporarily doubled to \$10,000 the deduction amount new entrepreneurs can claim for business start-up expenditures.

5-Year Carryback of General Business Credits

- To help small businesses in these hard economic times, we're allowing them to "carryback" their business credits for five years rather than one.
- A business's unused general business credit can usually be carried back to offset taxes paid the previous year. The remaining amount can be carried forward 20 years to offset future taxes. The Small Business Jobs Act extended the "carryback" period from one year to five years for certain small businesses in 2010. This helps businesses apply their 2010 credits to previous tax payments going back to 2005.

Limitations on Penalties for Errors in Tax Reporting

- We've fixed penalties for errors in tax reporting so that small businesses don't face disproportionately high penalties.
- Strict penalties apply when taxpayers fail to disclose their participation in certain "reportable transactions." For many small businesses, the penalties are disproportionately high. The Small Business Jobs Act changed the general rule for determining the amount of the appropriate penalty to achieve proportionality between the penalty and the tax savings that were the object of the transaction starting tax year 2010.

General Business Credit Not Subject to Alternative Minimum Tax (AMT)

- The Small Business Jobs Act allowed certain small businesses with \$50 million or less in average annual gross receipts for the previous three years to use all types of general business credits against their AMT liability, not only their regular tax liabilities, starting in tax year 2010.

New Health Care Tax Credits and Deductions

- The Small Business Jobs Act allowed self-employed individuals to deduct 100 percent of insurance costs incurred in 2010 for themselves and their families.

A New Tax Credit for Hiring Unemployed Workers

- The HIRE Act, which was signed into law last year, helps businesses hire and retain unemployed workers.
- The HIRE Act provided a payroll tax credit for hiring employees who have been looking for work for 60 days or more days and also provides a credit of up to \$1,000 for retaining them.

Legislative Update: Make it in America

Make it in America is a legislative initiative to revitalize manufacturing in America and create new good-paying jobs. This effort builds on actions since the start of the recession to create jobs and lay a strong new foundation for our economy. This nation's manufacturing strategy must create the high-skill, high-wage jobs of the future – promoting American competitiveness, innovation, and exports. Below are the Make it in America bills that have become law over the past two years:

U.S. MANUFACTURING ENHANCEMENT ACT (HR 4380)

- Helps U.S. manufacturers compete at home and abroad through over 600 tariff suspensions and reductions on intermediate products or materials these companies use that are not made domestically.
- By reducing costs for U.S. businesses and increasing the competitiveness of their products, this bill will increase U.S. production, expand GDP and support tens of thousands of American jobs.

PROTECTING AMERICAN PATENTS (HR 5874)

- Makes supplemental appropriations for the Patent and Trademark Office (PTO), fully offset, to allow the PTO to prevent additional backlogs in patent applications and improve efficiency of patent examinations.
- Patents are critical to American innovation and economic growth, supporting good paying jobs here at home by providing protections for new ideas and technologies.
- Patents are crucial to help safeguard the American innovations that fuel emerging manufacturing sectors.

PREVENTING OUTSOURCING (HR 1586)

- Closes tax loopholes that encourage companies to ship American jobs overseas and cuts the deficit by more than \$1 billion.

SMALL BUSINESS JOBS ACT (HR 5297)

- Provides new tools to help American small businesses export goods and compete abroad.
- Projected to create 500,000 jobs.
- Provides 8 tax cuts for small businesses, totaling \$12 billion, to spur investment, growth, access to capital, new starts and hiring.
- Unleashes up to \$300 billion in private sector lending for small businesses.

COMPETES REAUTHORIZATION (HR 5116)

- Creates jobs with innovative technology loan guarantees for small and mid-sized manufacturers and Regional Innovation Clusters to expand scientific and economic collaboration.
- Directs the Manufacturing Extension Partnership Centers to inform local community colleges of the skill sets that are needed by area manufacturers, to help ensure that students have the specific job training necessary to secure a good-paying job in their community.
- Promotes high-risk high reward research to pioneer the cutting-edge discoveries of tomorrow through ARPA-E and Energy Innovation Hubs -- collaborations that support research, development, and commercial application of advanced energy technologies -- for American energy independence.

Legislative Update: Extension of the Bush Tax Cuts

About ten years ago, Congress passed and President Bush signed into law two pieces of legislation that cut taxes for all working Americans across this country: the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). However, both tax cut laws included what is known as a “sunset provision” – meaning they have an expiration date – and both laws were set to expire on December 31, 2010.

As the deadline approached, it became clear that neither side was going to win this debate. If nothing was done before the end of 2010, then all Americans would experience one of the biggest tax increases in American history on January 1, 2011. In the midst of an economic recovery, we absolutely could not let that happen.

So, President Obama sat down with congressional Republicans and hammered out a compromise called the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, H.R. 4853. Among the many other tax-cutting provisions, this bipartisan bill included a two-year extension of the 2001/03 tax cuts for all Americans and extended unemployment benefits through 2011, putting more money into the pockets of families that will help boost our economic recovery.

I supported and helped pass this bipartisan compromise in the House because I did not want a massive tax increase thrust upon my constituents and the thousands of small businesses in my district. On December 17, 2010, after having passed both the House and Senate, the President signed the bipartisan legislation into law.

Here is a summary of the provisions that affect small businesses in the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, H.R. 4853:

Temporary Extension of Investment Incentives

- Extension of bonus depreciation. Under current law, businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Congress allowed businesses, beginning January 1, 2008, through December 31, 2009, to take an additional depreciation deduction allowance equal to 50 percent of the cost of the depreciable property placed in service in those years. Under the Small Business Jobs Act of 2010, this temporary increase in the depreciation deduction allowance was extended through December 31, 2010. This bill extends and temporarily increases this bonus depreciation provision for investments in new business equipment. For investments placed in service after September 8, 2010 and through December 31, 2011, the bill provides for 100 percent bonus depreciation. For investments placed in service after December 31, 2011 and through December 31, 2012, the bill provides for 50 percent bonus depreciation. The provision also allows taxpayers to elect to accelerate some AMT credits in lieu of bonus depreciation for taxable years 2011 and 2012.

Legislative Update: Extension of the Bush Tax Cuts (continued)

Business Tax Relief

- Exclusion of small business capital gains. Generally, non-corporate taxpayers may exclude 50 percent of the gain from the sale of certain small business stock acquired at original issue and held for more than five years. For stock acquired after February 17, 2009 and on or before September 27, 2010, the exclusion is increased to 75 percent. For stock acquired after September 27, 2010 and before January 1, 2011, the exclusion is 100 percent and the AMT preference item attributable for the sale is eliminated. Qualifying small business stock is from a C corporation whose gross assets do not exceed \$50 million (including the proceeds received from the issuance of the stock) and who meets a specific active business requirement. The amount of gain eligible for the exclusion is limited to the greater of ten times the taxpayer's basis in the stock or \$10 million of gain from stock in that corporation. The provision extends the 100 percent exclusion of the gain from the sale of qualifying small business stock that is acquired before January 1, 2012 and held for more than five years.
- Research & Development (R&D) credit. The bill includes a 2 year extension of the R & D tax credit to support business exploration. The R&D tax credit will help keep the U.S. economy at the cutting-edge of 21st century technologies, while expanding high-tech jobs, encouraging innovation, and increasing future productivity and growth.
- Employer wage credit for activated military reservists. The bill extends for two years (through 2011) the provision that provides eligible small business employers with a credit against the taxpayer's income tax liability for a taxable year in an amount equal to 20 percent of the sum of differential wage payments to activated military reservists.
- Tax benefits for certain real estate developments. The bill extends for two years (through 2011) the special 15-year cost recovery period for certain leasehold improvements, restaurant buildings and improvements, and retail improvements.
- Empowerment Zones. The bill extends for two years (through 2011) the designation of certain economically depressed census tracts as Empowerment Zones. Businesses and individual residents within Empowerment Zones are eligible for special tax incentives.
- Work opportunity tax credit (WOTC). Under current law, businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to new hires of one of nine targeted groups. These groups include members of families receiving benefits under the Temporary Assistance to Needy Families (TANF) program, qualified veterans, designated community residents, and others. The WOTC program is currently set to expire August 31, 2011. The bill extends this provision through December 31, 2011 and would be effective for employees hired after date of enactment.
- Premiums for mortgage insurance deductible as interest that is qualified residence interest. Under current law, a taxpayer may itemize the cost of mortgage insurance on a qualified personal residence. The deduction is phased-out ratably by 10% for each \$1,000 by which the taxpayer's AGI exceeds \$100,000. The deduction is unavailable for a taxpayer with an AGI in excess of \$110,000. The bill extends this provision for an additional year, through 2011.