



Senator Sherrod Brown

American Recovery and Reinvestment Act *An Investment in Ohio's Small Businesses*

What does the economic recovery package mean for SMALL BUSINESS?

Reduced fees, 90 Percent Guarantee:

The economic recovery package authorizes the Small Business Administration (SBA) to temporarily reduce or eliminate loan fees for borrowers and/or lenders in its 7(a) guaranteed loan program and the 504 Certified Development Company loan program. SBA can also raise its loan guarantee from the current levels to as much as 90 percent (up from 85% for non-Express loans up to \$150,000, and 75% on larger loans).

Microloans:

Expands SBA's existing Microloan program, which provides loans in amounts up to \$35,000 for entrepreneurs who are generally not considered "bankable" by the traditional lending community. Microlenders participating through 09/30/10 will see a \$50 million expansion in loans and \$24 million in grants used to provide technical assistance to borrowers.

Tax and Finance Provisions for Small Business:

In addition to the funds available through the state and the federal competitive grants, the economic recovery package will provide significant tax relief that will benefit small businesses. (See reverse side for details)

Refinancing:

Allows SBA to use the 504 Certified Development Company program to refinance existing loans for fixed assets, providing fresh support for small business expansion.

Arc Loan Program | Qualifying and Eligibility

How is "viable" defined and who defines it?

A viable small business is one that has been profitable in the past, but is just beginning to struggle with making loan payments, and can reasonably project that it can get back on track with the infusion of ARC loan funds and the benefit of deferred payments.

What loans/debts are "qualifying" and eligible to benefit from ARC? Can the proceeds be used to make payments on another SBA-guaranteed loan?

Small business loans/debts qualifying and eligible for assistance with ARC loans include the following:

- Secured & unsecured conventional loans (mortgages, term and revolving lines of credit);
- Capital leases
- Notes payable to vendors/suppliers/utilities
- Development Company Loan Program (504) first mortgage loans
- Credit card obligations owed by the businesses
- Loans made with an SBA guaranty after Feb. 17, 2009

What is the ARC Loan Program?

As part of the American Recovery and Reinvestment Act of 2009, the ARC program was created as a *no-interest, deferred payment* loan to aid small businesses that have a history of good performance, but as a result of the current economy, are struggling to make debt payments. An ARC loan is a deferred-payment loan of up to \$35,000 and is available to viable, for-profit small businesses located in the United States that need short-term help to make their principal and interest payments on existing, qualifying debt.

ARC loans are *interest-free* to the borrower, *100 percent guaranteed by SBA*, and have *no SBA fees* associated with them. Approved ARC loans will disburse funds to be used for payments of principal and interest for up to six months on existing, qualifying small business loans, up to a maximum of \$35,000. The disbursement period of up to six months is followed by 12 months with no repayment of the ARC loan principal. After the 12-month deferral period, the borrower pays back only the ARC loan principal over a period of five years.

See the reverse side for additional economic recovery opportunities for small business

The economic recovery package provides additional funding for the **Small Business Administration**. To find out more about SBA programs: www.sba.gov/recovery
SBA Answer Desk
(800) 827-5722
answerdesk@sba.gov

SBA District Office Locations

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401 N. Front Street
Suite 200
Columbus, Ohio 43215
Phone: (614) 469-6860

Cincinnati Branch Office
550 Main Street
Room 2-522
Cincinnati, Ohio 45202
Phone: (513) 684-2814

Cleveland District Office
1350 Euclid Avenue
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Cleveland, OH 44115
Phone: (216) 522-4180

Tax and Finance Provisions for Small Business

In addition to the funds available through the state and the federal competitive grants, the economic recovery package will provide significant **tax relief that will benefit small businesses**.

- **Extension of bonus depreciation for capital expenditures incurred in 2009:** Allows businesses to recover costs faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write-off 50% of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers).
- **Extension of enhanced small business expensing of certain capital expenses:** Small business taxpayers may elect to write-off these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. With the economic recovery package, small businesses can write-off up to \$250,000 of capital expenditures incurred in 2009 and increased the phase-out threshold for 2008 to \$800,000 (up from \$500,000).
- **5-Year carryback of net operating losses for small businesses:** For small businesses with gross receipts of \$15 million or less, up from the current 2-year period.
- **Delayed recognition of certain cancellation of debt income (CODI):** Over 10 years (defer tax on CODI for the first four or five years and recognize this income ratably over the following five taxable years) for specified types of business debt repurchased by the business after December 31, 2008 and before January 1, 2011.
- **Incentive to hire unemployed veterans and disconnected youth:** Small businesses are eligible to claim a work opportunity tax credit equal to 40% of the first \$6,000 of wages paid to employees.
- **Small business capital gains:** ARRA provides an extra incentive for investment in small business. The new law allows for a 75% exclusion for individuals on the gain from the sale of certain small business stock held for more than five years. This change is for stock issued after Feb 17, 2009 and before January 1, 2011.
- **Temporary small business estimated tax payment relief:** Reduces the 2009 required estimated tax payments for certain small businesses.
- **Temporary reduction of S Corporation built-in gains holding period from 10 Years to 7 Years** for sales occurring in 2009 and 2010.
- **Repeal Treasury Section 382 Notice:** Liberalizes rules in the tax code intended to prevent taxpayers that acquire companies from claiming losses incurred by the acquired company prior to the taxpayer's ownership of the company.
- **Treatment of certain ownership changes:** Clarifies the application of section 382 to certain companies restructuring pursuant to the Emergency Economic Stabilization Act of 2008.
- **Election to accelerate recognition of historic AMT/R&D credits:** In lieu of bonus depreciation. The amount is calculated based on the investment in the property that would otherwise qualify for bonus depreciation and is capped at the lesser of 6% of historic AMT and R&D credits or \$30 million. The economic recovery package extends these benefits through 2009.
- **Acceleration of Certain Business Credits:** Corporations (Subtitle C) that acquire eligible business property have an additional year to accelerate certain tax credits in lieu of a bonus depreciation deduction.
- **COBRA Health Insurance Continuation Subsidy:** Under the new law, employees who were involuntarily terminated after Aug. 31, 2008 and before Jan. 1, 2010, and who elect COBRA health continuation coverage, are entitled to receive a 65 percent subsidy on their COBRA premiums.
- **Renewable Energy Production Tax Credit:** The new law generally extends the "eligibility dates" of a tax credit for business facilities producing electricity from renewable sources.