

STIMULUS: Benefits for Business



Though flawed, the \$787 billion economic stimulus plan signed into law

by President Barack Obama is urgently needed to improve the economy, according to the U.S. Chamber.

Even with the Federal Reserve pushing interest rates down to 0 percent and increasing its balance sheets to nearly \$2 trillion, the economy is in its worst nosedive in 35 years, prompting the need for government spending and tax incentives to spur growth, according to Bruce Josten, Chamber executive vice president for government affairs.

"We need to boost consumer demand, increase investment, and get the private sector working," said Josten. "This bill, though not perfect, is big enough to significantly improve the economy."

Rather than oppose the bill because it objected to parts of it, the U.S. Chamber worked with Congress to help shape the legislation, ensuring the inclusion of several business and taxpayer benefits. "The whole is more important than the individual parts," Josten added. Highlights of the bill's business tax provisions:

Net operating loss carryback. Struggling small businesses with annual receipts of less than \$15 million can carry back losses on their taxes for five years instead of the current two years. This enables companies that lost money in 2008 to apply those losses to years when they made a profit, qualifying them for refunds on taxes paid for those years. Savings to business: \$947 million.

Bonus depreciation. Businesses of all sizes can immediately depreciate 50 percent of certain capital investments made and put into service in 2009. Savings to business: \$5.1 billion.

Section 179 small business expensing. Small businesses can immediately deduct up to \$250,000 in equipment purchases made in 2009 rather than depreciate the cost over time. Savings to business: \$41 million.

Delayed recognition of canceled debt. Certain businesses that buy back their own debt at a discount in 2009 and 2010 may defer paying the income tax owed on the difference for the first four or five years and then pay the income tax due over the next five years. Savings to business: \$1.62 billion.

SBA loans. Small businesses can take advantage of dramatically reduced borrower and lender fees for the Small

Business Administration's (SBA) 7(a) and 504 programs. The bill provides the SBA with \$375 million to temporarily waive or reduce 7(a) and 504 loan fees and \$255 million to temporarily raise its loan guarantees to as much as 90 percent for 7(a) loans. Existing SBA borrowers in immediate financial hardship are eligible for a 100 percent SBA-guaranteed bridge loan of up to \$35,000 to be repaid over five years.

Withholding tax. The 3% withholding tax on all government payments scheduled to go into effect in 2011 is delayed until 2012. Potential savings to business: \$291 million.

Individual taxpayers also get breaks. The alternative minimum tax (AMT) exemption amount was raised to prevent 26 million additional taxpayers from having to pay the levy in 2009; new car

buyers can deduct the sales tax on a new purchase; and the tax credit for first-time home buyers was increased to \$8,000 and does not have to be repaid. In addition, for 2009 and 2010, there's a \$400 payroll tax credit for individuals who earn less than \$75,000 and a \$800 credit for couples filing jointly with a combined income of less than \$150,000.

The bill also contains some \$150 billion for spending on school and infrastructure construction projects, including repairs to roads and bridges and investments in telecommunications networks and renewable energy. Three-fourths of the bill's appropriations will be spent by the end of fiscal year 2010, creating or saving an estimated 3.5 million jobs.

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The Mobile Chapter of SCORE (Service Corps of Retired Executives) is a part of the national nonprofit organization of more than 10,500 volunteer business counselors who provide free, confidential business counseling and training workshops to small business owners.

Small Business Survival Tips

Small businesses face challenges on many fronts, including lower consumer spending, rising unemployment and tightening credit. Inflation pressures have hit both businesses and customers. By acting quickly and decisively to protect their business today, local business owners can potentially make it through the recession with a profit.

SCORE Chief Executive Officer Ken Yancey said, "Small businesses feel the credit crunch first. We have seen difficulty accessing capital and collecting payments from delinquent customers. Don't wait. Now is the time to tighten credit policies, cut expenses and look at holding cash in your accounts. Experienced SCORE mentors are here to help plan actions to help you survive the recession and grow when the economy turns around."

1. Don't panic. Be calm and realistic as you review your business. Focus on the fundamentals and what you can control about your business. Look for new ways of doing business. Your competitors may be struggling too. Take steps to make sure your business survives.

2. Consult your mentors. Get feedback from informal advisors you trust. Ask SCORE for advice and meet to review the health of your business. Plan for a profitable year in 2009, even with potentially little or no growth.

3. Look for local funding. Protect your credit so that community banks or credit unions may be a source for a line of credit. A solid business plan can help you make your case.

4. Find ways to cut costs. Check your cash flow on a regular basis. Cut costs and hold the line on price increases. Make sure you have good collection policies and

get money owed to your business. Keep good records of your inventory and be careful not to overstock shelves.

5. Continue your marketing. This is the time you need marketing the most. It reassures your customers you are still there to serve them, and it can help you reach new markets to sustain your business. Consider publishing e-mail newsletters and sales alerts. Let people sign up for them on your Web site.

For more advice on how to succeed, contact the Mobile Chapter of SCORE, operating out of the Mobile Area Chamber. For a confidential one-on-one counseling session at no charge, call 431-8614.

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Ken Yancey
SCORE Chief Executive Officer