



Hon. Doris O. Matsui

Member of Congress

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Serving California's 5th District

Small Businesses Leading the Way to Recovery

As our economy begins to bounce back, small firms are playing a critical role. These are the businesses that already create roughly 70% of new jobs and employ half of the private sector workforce. Democrats in Congress know that entrepreneurship is the fuel that powers our economy. That's why we've made small businesses a top priority.

In the last 5 months, Congress and the Administration have taken significant steps to strengthen the entrepreneurial community. Congress has passed-- and the President has signed into law-- measures to steer \$15 billion in tax relief to small firms, generate \$21 billion in small business lending and investment, and create more than \$30 billion in contracting opportunities for entrepreneurs. We are also helping small companies grow by: modernizing and enhancing research and development programs; improving entrepreneurial development initiatives; creating new opportunities in the green economy; and supporting veterans interested in entrepreneurship.

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

- On June 24, the Small Business Administration implemented provisions in the American Recovery and Reinvestment Act (ARRA) to help small firms expand. Businesses looking to grow can now use SBA's 504 lending program to refinance existing loans, freeing up capital for investments in real estate and other fixed assets. By improving lending conditions for borrowers, we can help them hire new workers and expand their operations.
- Less than two weeks ago, SBA launched the American Recovery Capital (ARC) loan program, which was established through the ARRA. That program provides interest-free loans of \$35,000, and gives small firms a full year before beginning repayment. Additionally, borrowers have another 5 years to repay altogether.
- Entrepreneurs can use these loans, which are made by commercial lenders, to settle existing debts. For example, including credit card obligations, mortgages, and balances due to suppliers.
- Meanwhile, the ARRA is already encouraging local banks to lend to small businesses. By increasing the percentage of a loan that SBA will guarantee to 90%, we are reducing risk for lenders, and freeing up credit for entrepreneurs.
- These measures are working. Since the passage of the Recovery Act, we've seen \$4.3 billion in small business lending, with weekly loan volume increases of over 30%.
- Now that banks have more capacity to lend, the small business credit markets are also starting to unthaw. The secondary market has gone through a dramatic transformation, with loan volumes soaring from under \$100 million in December to \$325 million in May.

Reinvesting in American Innovation

- On June 25th, the Small Business Committee marked up H.R. 2965, "The Enhancing Small Business Innovation Act," which will update and improve the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs.
- These programs steer federal Research and Development grants to America's entrepreneurs. Every year, SBIR makes a \$2.2 billion investment in homegrown innovation, an infusion that gets 1,500 new companies off the ground. These businesses expand industries and spark countless breakthroughs in sectors ranging from biotechnology to national defense.
- This legislation reauthorizes and modernizes SBIR and STTR, which have not been updated in over 8 years. It also enhances the programs through commercialization benchmarks, helping more research make it to market.

- Additionally, H.R.2965 expands the financing options of SBIR/STTR backed businesses. That way, our most innovative firms have the capital they need to create new products and hire new employees. We are also broadening the program by recruiting rural entrepreneurs, women, minorities and veterans.

Strengthening Entrepreneurial Development Programs that Help Small Firms Succeed

- In May, the House passed H.R. 2352, the "Job Creation through Entrepreneurship Act," which modernizes SBA's Entrepreneurial Development (ED) Programs for the first time in ten years.
- ED programs have a strong track record of helping small businesses flourish. Firms that take advantage of these initiatives are twice as likely to succeed. Just as importantly, ED programs benefit our economy-- last year alone, they helped create 73,000 jobs.
- This legislation specifically addresses the economic downturn by: assisting dislocated workers who want to start their own businesses; establishing survival tools that small companies can access via the Internet; and offering expert consulting to troubled small businesses.
- H.R. 2352 makes better use of distance learning technology, like satellite and video conferencing, so that small firms located in rural areas can better access these services. Meanwhile, it establishes a nationwide network of Veterans Business Centers to provide specialized entrepreneurial training and counseling to veterans.
- The Job Creation through Entrepreneurship Act also contains measures to help small firms repair damaged credit, and navigate the process of accessing capital.

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

- The ARRA contains over \$130 billion in funds for infrastructure improvements. All told, small firms should receive more than \$30 billion in these projects.
- 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.
- In helping small firms compete for stimulus contracts, the Job Creation through Entrepreneurship Act creates a procurement training program. That initiative works with local agencies to identify contracts suitable for local small firms, and helps them comply with federal regulations and bonding requirements.

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.
- Last week, the House debated the American Clean Energy and Security Act. That landmark legislation will invest \$150 billion in clean energy, creating 1.7 million jobs in small business driven industries.
- Meanwhile, 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.
- The Job Creation through Entrepreneurship Act also boosts 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

- Congress is increasing Section 179 expensing limits. This lets entrepreneurs fully depreciate capital purchases for equipment items like trucks and computers the same year they are purchased. Doing so encourages small firms to make purchases now, and puts more money back in their pockets this year so they can grow.
- We're allowing 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 ARRA 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.
- We're delaying 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 stimulus contracts.