



New Stimulus Package Helps Small Businesses

The current economic downturn has hit Americans harder than any other recession besides the Great Depression. Every citizen in the United States has suffered, but small businesses have been particularly vulnerable. Fortunately, President Obama challenged the downturn by signing an innovative stimulus package on February 17, 2009. Titled the American Recovery and Reinvestment Act (ARRA), the goal of this plan is to lift our nation out of recession and help propel it toward a more responsible, financially stable future. Visit www.recovery.com to learn more about ARRA and how it will impact the nation.

As part of the new stimulus package, ARRA gave the Small Business Administration (SBA) \$730 million to modify the lending and investment programs to better assist small businesses. \$375 million will temporarily reduce or eliminate SBA loan fees, \$255 million will help small businesses meet existing loan payments, and \$25 million will expand SBA's Surety Bond Guarantee program. \$30 million will expand the Microloan program, enabling SBA to finance up to \$50 million in new loans and also provide \$24 million in technical assistance grants to microlenders. \$20 million will update SBA's technology systems allowing for more efficient lending and oversight processes, \$25 million will hire staff to administer the new program, and the final \$10 million will go to the Office of the Inspector. Visit www.sba.gov for more details.

ARRA appears to be the cure for what ails the U.S. economy. In addition to several tax breaks that were extended from last year's stimulus package, ARRA also provides a number of new tax breaks. Unfortunately, the act is so complicated—at 407 pages it is not a fluffy bedtime story—that you need a Rosetta Stone and a tax advisor to interpret it. Fortunately, you won't need a Rosetta Stone to take advantage of the tax breaks:



- **NEW-** Small businesses that had adjusted gross incomes (AGI) of less than \$500,000 in 2008 and earn more than 50 percent of their 2009 gross income from a “small business” will be eligible for reduced estimated tax payments.
- **NEW-** Small businesses that convert from a C corporation to an S corporation generally will not be taxed on the new S corporation’s net unrecognized built-in gain if the seventh tax year in the recognition period occurred before 2009 or 2010.
- **NEW-** Small businesses may be able to defer cancellation-of-debt income (CODI) generated from repurchasing business debt after December 31, 2008 and before January 1, 2011.
- **EXTENDED-** Small businesses with a net operating loss (NOL) in 2008 (not 2009) will be able to carry back the loss for five years provided that gross receipts do not exceed \$15 million.
- **EXTENDED-** Small businesses that hire employees from target groups in 2009 and 2010 can claim credit equal to 40 percent of the first \$6,000 paid out to those individuals. Target groups include ex-felons, disabled veterans, food stamp recipients, and others. ARRA expands the target groups to include unemployed veterans and disconnected youth.
- **EXTENDED-** Small businesses may purchase qualified items such as property, industrial buildings, and equipment and take 50 percent bonus depreciation in addition to first year depreciation. Visit www.depreciationbonus.org to learn more about the depreciation bonus and view an interactive depreciation calculator.
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- **EXTENDED-** Small businesses may expense up to \$250,000 of bonus-depreciated, qualified business purchases.

While all small businesses may not qualify for every tax break, most companies should benefit from the bonus depreciation and expensing options. Take advantage of these capital expenditure tax breaks by refreshing your information technology (IT) infrastructure. Since most IT components have an average lifespan of three to five years, this would be a great time to upgrade. Replacing older desktop PCs, servers, printers, and other devices will allow your company to capitalize on the tax breaks while increasing efficiency, productivity, and giving your business a competitive advantage.

Learn more about the American Recovery and Reinvestment Act by visiting the White House's website at www.whitehouse.gov. Then dig out your Rosetta Stone and talk to your financial adviser about how your small business can profit from ARRA. Once you've done that, please contact All Covered and discuss how upgrading your company's IT infrastructure could be a great way to benefit from the stimulus package while increasing your company's efficiency and productivity.