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Small business lending fund bill signed into law

November 04, 2010 - Northern New England

On September 27, 2010, President Obama signed into law the Small Business Jobs and Credit Act of 2010 (H.R. 5297). The U.S. Senate voted, 61-38, to pass the bill on September 16, 2010, while the U.S. House approved the measure, 237-187.

Under this bill, which NAR supported, the U.S. Treasury would be authorized to lend up to $30 billion to interested community banks to further expand lending to small businesses. As an incentive for participating community banks to increase small business lending, their interest rate would be adjusted relative to the amount of their small business lending activity. It is estimated that community banks could use the $30 billion lending fund to leverage up to $300 billion in new loans to small businesses. Additionally, the small business lending bill enhances Small Business Administration (SBA) programs and provides $12 billion in tax breaks for small businesses. Below are some of those provisions.

Notable Improvements to SBA loan programs:

* Raises loan limits from $2 million to $5 million for SBA 7a loans.

* Raises loan limits from $1.5 million to $5.5 million for SBA 504 loans.

* Allows use of SBA 504 loans to refinance short-term commercial real estate debt into long-term, fixed rate loans.

* Provides a temporary increase in the SBA's 7a loan guarantee to 90%.

* Eliminates fees for all SBA 7a and 504 loans through December 31, 2010.

Noteworthy tax breaks include:

* An extension allowing first-year depreciation for 50% of the basis of certain qualified property.

* Extension of Section 179 expensing and increase of the maximum allowance from $250,000 up to $500,000 for tangible personal property.

* For the first time, investors may expense up to $250,000 of qualified leasehold, restaurant, and 2010 retail property improvement costs.

* Self-employed individuals may deduct health insurance costs for themselves and their families when they compute their self-employment tax, but only for the 2010 tax year. Premiums continue to be deductible for income tax purposes.

* Removes employer-provided cellular phones from "listed property" so their cost can be deducted or depreciated like other business property, without burdensome record keeping requirements.

Arthur Slattery is owner of The Phoenix Realty Group, Bedford, NH and is president of the NH-CIBOR, Concord, NH.