



# Virginia Small Business Development Center Network's Updates On The Economic Stimulus Package

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Vol. 1

The Economic Stimulus Package—the Bottom Line for Your Small Business

April 2, 2009

## Recovery Act Updates

There's been a lot of interest surrounding the [recent passing of the stimulus package](#) (aka American Recovery and Reinvestment Act of 2009), and we've had a number of small businesses wondering how it will ultimately affect their bottom line. The following provisions are likely to be of most importance to all small business owners.

- ❑ **If you lost money.** Some small businesses will be able to use monetary losses to their tax advantage. Those with average gross receipts of less than \$15 million over a three-year period prior to the loss may qualify for a 5-year carryback election.
- ❑ **Money for equipment.** The stimulus package maintains the increased \$250,000 equipment writeoff level through 2009. However, if you already spend more than \$800,000 on these types of capital expenditures, the deduction is phased out. For this reason it is geared more toward small business spending.
- ❑ **Hiring tax credits.** You can receive a \$2,400 credit per worker on your taxes providing you hire a worker who falls in a targeted group of disadvantaged individuals. The Work Opportunity Tax Credit allows a 40% tax claim on the first \$6,000 in wages paid to such a worker. Two new categories of disadvantaged workers have been added to the new package: veterans and "disconnected youth."
- ❑ **Increased SBA lending.** An additional \$6 million is allocated to microlending through SBA sponsored non-profit lending organizations. The SBA has also been authorized to temporarily eliminate or reduce fees on their loan guarantee programs, and increases the amount of the guarantee to 90% for qualified loans. The ARC Stabilization Loan will offer 100% guaranteed deferred payment of loans up to \$35,000 to help viable small businesses facing immediate economic hardship make payments on existing qualifying loans.
- ❑ **Reducing Estimated Tax Payments.** Normally, small businesses have to pay 110 percent of their previous year's taxes in estimated taxes. But with incomes down for many small businesses this requirement is too burdensome – and causing a cash crunch. The Recovery Act allows small businesses to reduce their estimated payments to 90 percent of the previous year's taxes, helping to boost liquidity and better align estimated taxes with actual taxes in a year of severe economic contraction.
- ❑ **Extension of Bonus Depreciation Deductions.** Check with your accountant about the possibility of extending bonus depreciation deductions through the end of 2009, which allows businesses to take a larger tax deduction within the first year of a property's purchase.
- ❑ **Incentives for Investors to Put Money in Your Business.** The Recovery Act includes a measure that will exclude from taxation 75 percent of the capital gains for investors in small businesses who hold their investments for five years.

The Small Business Administration has a [page on their website](#) to keep track of developments and provide information on how companies can access these new resources.

Our website also offers a wealth of other [resources to help businesses](#) not only survive this challenging economic environment, but grow and thrive.

This period of tumult provides many opportunities for savvy entrepreneurs. [Contact your local SBDC](#) for help in seizing them!

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The Virginia SBDC Network is funded in part through George Mason University-Mason Enterprise Center at the School of Public Policy and through a cooperative agreement with the U.S. Small Business Administration. All opinions, conclusions or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA.