

<p style="text-align:center"><b>THE AMERICAN JOBS ACT</b> <b>SMALL BUSINESSES AND ENTREPRENEURS LEADING THE RECOVERY</b></p>
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The American Jobs Act reflects a commitment to strengthen the recovery and help increase access to jobs for all Americans. Small businesses are the engine of new jobs and entrepreneurship in America, and small business job growth and expansion must be running at full power to put Americans back to work. But in the wake of the downturn, and especially in recent months, our nation's small employers face a perfect storm of low sales, uncertainty about hiring workers, tight credit, and reduced collateral and net worth, all combining to sap their confidence and growth. That is why the centerpiece of the President's plan is a historic effort to fire up the engine of small business expansion and job growth next year. It includes:

- **Cutting the payroll tax in half for all small businesses.** The President's plan will extend the payroll tax cut to firms by cutting in half their payroll tax on the first \$5 million in payroll. The President's plan would provide tax cuts for all firms, but the 98 percent of firms with less than \$5 million in payroll would see payroll taxes on all of their workers cut in half. Next year, instead of paying 6.2 percent on their payroll expenses, these firms would pay only 3.1 percent.
- **A complete payroll tax holiday for small businesses that new jobs or wage increases.** In addition to the 3.1% payroll tax cut for all firms, the President's plan provides a direct incentive – a full payroll tax holiday – to encourage firms to hire additional employees or raise wages for their current employees.
- **Extend 100 percent business expensing through 2012.** The President is proposing an extension of the 100 percent expensing provision that he signed into law in December 2010, by allowing all firms to continue to earn an immediate deduction on investments in key plants and equipment in 2012.
- **Changing the way the government does business with small firms:** The Administration will soon announce a plan to accelerate payments to small government contractors to help put money in their hands faster.
- **Reducing regulatory burdens on small business capital formation:** As part of the President's Startup America initiative, The Administration will encourage investment in small businesses by pursue efforts to reduce the regulatory burdens on small business capital formation in ways that are consistent with investor protection.
- **Helping small businesses compete for infrastructure projects:** Small Businesses are also a vital part of our efforts to invest in and re-build our nation's infrastructure. In order to ensure that small firms have the tools they need to compete for and win bids on infrastructure projects, we are calling to temporarily increase the limit on SBA-guaranteed surety bonds from \$2 million to \$5 million.

## WHAT THE PLAN WILL DO

### Tax Cuts to Help America's Small Businesses Hire and Grow

- **A Payroll Tax Cut to Businesses, With a Focus on Small Employers.** The President's plan will extend the payroll tax cut to firms by cutting in half their payroll tax on the first \$5 million in payroll. The President's plan would provide tax cuts for all firms, but the 98 percent of firms with less than \$5 million in payroll would see payroll taxes on all of their workers cut in half. Next year, instead of paying 6.2 percent on their payroll expenses, these firms would pay only 3.1 percent.
- **A Complete Payroll Tax Holiday for New Jobs or Wage Increases.** In addition to the 50 percent payroll tax cut for all firms, the President's plan provides a direct incentive to encourage firms to hire additional employees or raise wages for their current employees. The plan would completely refund payroll taxes paid on added workers or wage increases for current workers above the level of last year's payroll. To focus the benefit of this tax cut on small businesses, payroll tax relief would be capped at applying to \$50 million in new wages. This tax holiday would be augmented by targeted tax credits for hiring the long-term unemployed as well as veterans who have been out of work six months or more.
  - *How It Would Work for a Typical Firm:* A construction firm with 75 workers earning an average of \$60,000 a year – for a total payroll of \$4.5 million – would receive a *payroll tax cut of 3.1% of its total payroll, or about \$140,000.* The firm's workers would receive an average tax cut of \$1,860 a year from the employee side payroll tax cut in the President's plan.
- **Extend 100 Percent Business Expensing Through 2012 (\$5 billion).** The President is proposing an extension of the 100 percent expensing provision that he signed into law in December 2010, which rewards firms for making key investments by allowing them to deduct the full value of those investments from their tax obligations through 2012. This effort builds on measures passed in the Small Business Jobs Act, as well, to ensure that the benefits small businesses have received from higher Section 179 expensing limits and bonus depreciation continue into 2012. Most of this relief would be recouped by the Treasury as businesses regain their strength.
  - The National Federation of Independent Business called expensing a “big victory” for small business: “Bottom line – just about every small business can write-off the full amount of investments they want to make in 2010 and 2011.” (December 2010).
  - In a 2010 letter signed by the U.S. Chamber of Commerce, more than 80 business groups – representing industries from aerospace and wireless to builders, contractors, and retail stores – wrote that “bringing back bonus depreciation will encourage companies of all sizes to invest in newer, more efficient, and more environmentally-friendly equipment, which will help large and small businesses alike.”

## **A Reform Agenda to Help Entrepreneurs and Small Businesses Grow.**

The President's plan includes administrative, regulatory and legislative measures to help small firms start and expand. This includes:

- **Changing the Way the Government Does Business with Small Firms:** The Administration will soon announce a plan to accelerate government payments to small contractors to help put money in their hands faster. The President is also directing his CIO and CTO to stand-up, within 90 days, BusinessUSA, a one-stop online platform that businesses could use to access the full range of government programs and services businesses they need to compete globally. These changes were called for by the President's Jobs Council, the President's Export Council and small businesses across the country. Finally, the Administration supports a delay of the Bush Administration-era rule requiring that the IRS withhold 3% of contractors' income.
- **Reducing Regulatory Burdens on Small Business Capital Formation:** As part of the President's Startup America initiative, The Administration will pursue efforts to reduce the regulatory burdens on small business capital formation in ways that are consistent with investor protection. This includes working with the SEC to explore ways to address the costs that small and new firms face in complying with Sarbanes-Oxley disclosure and auditing requirements. The administration also supports establishing a "crowdfunding" exemption from SEC registration requirements for firms raising less than \$1 million (with individual investments limited to \$10,000 or 10% of investors' annual income) and raising the cap on "mini-offerings" (Regulation A) from \$5 million to \$50 million. This will make it easier for entrepreneurs to raise capital and create jobs.
- **Passing Patent Reform:** Small businesses are critical to developing innovative products and services. The patent reform bill Congress has passed and the President is prepared to sign would reform our outdated patent system allow them to get their ideas to market faster will help accelerate their potential to transform and grow our economy and create jobs of the future.

## **Small Businesses Benefit from Support for Workers and Families:**

- **Cutting Payroll Taxes in Half for 160 Million Workers Next Year.** The President's plan will expand the payroll tax cut passed last December by cutting workers payroll taxes in half next year. This provision will provide a tax cut of \$1,500 to the typical family earning \$50,000 a year.
- **Reform Our Unemployment Insurance System to Provide Greater Flexibility, While Ensuring 6 Million People Do Not Lose Benefits:** Drawing on the best ideas of both parties and the most innovative states, the President is proposing the most sweeping reforms to the unemployment insurance (UI) system since 1970 to help those without jobs transition to the workplace. Alongside these reforms, the President is reiterating his call to extend

unemployment insurance, preventing 6 million people looking for work from losing their benefits and extending what the independent Congressional Budget Office has determined is the highest “bang for the buck” option to stimulate the economy.

- **Tax relief for workers and families puts more money in the hands of the people who buy goods and services from small businesses.** In addition to a tax cut for every small business employee nationwide, the President’s plan provides crucial support for consumers and sales growth next year by adding to take home pay and extending unemployment insurance benefits so laid off workers can support themselves and their families as they seek to return to work.

### **Infrastructure Investments to Drive Small Business Growth.**

The President’s plan will put small construction and transportation businesses – as well as many others – back to work rebuilding America’s foundation:

- **Helping Small Businesses Compete for Infrastructure Projects:** Small Businesses are also a vital part of our efforts to invest in and re-build our nation’s infrastructure. In order to ensure that small firms have the tools they need to compete for and win bids on infrastructure projects, we are calling to temporarily increase the limit on SBA-guaranteed surety bonds from \$2 million to \$5 million.
- **Modernizing Over 35,000 Schools – From Science Labs and Internet-Ready Classrooms to Renovated Facilities:** The President is proposing a \$25 billion investment in school infrastructure that will modernize at least 35,000 public schools – investments that will create jobs, while improving classrooms and upgrading our schools to meet 21<sup>st</sup> century needs. Funds could be used for a range of emergency repair and renovation projects, greening and energy efficiency upgrades, asbestos abatement and removal, and modernization efforts to build new science and computer labs and to upgrade Internet access and other vital digital technologies in our schools. The President is also proposing a \$5 billion investment in modernizing community colleges, bolstering their infrastructure in this time of need while ensuring their ability to serve future generations of students and communities.
- **Making an Immediate Investment in Our Roads, Rails and Airports:** The President’s plan includes \$50 billion in immediate investments for highways, transit, rail and aviation, helping to modernize an infrastructure that now receives a grade of “D” from the American Society of Civil Engineers and putting hundreds of thousands of construction workers back on the job. The President’s plan would also invest in enhancing employment, training and access to contracting opportunities for minorities, women, and socially and economically disadvantaged individuals and businesses in the transportation sector. At the same time, the President will support investments in infrastructure through a recently issued Presidential Memorandum developed with his Jobs Council directing departments and agencies to identify high impact, job-creating infrastructure projects that can be expedited in a transparent manner through outstanding review and permitting processes.
- **Establishing a National Infrastructure Bank:** The President is calling for Congress to pass a bipartisan National Infrastructure Bank to leverage private and public capital to invest in a

broad range of infrastructure projects of national and regional significance, without earmarks or traditional political influence.

- **Project Rebuild: Putting People Back to Work Rehabilitating Homes, Businesses and Communities.** The President is proposing to invest \$15 billion in a national effort to put construction workers on the job rehabilitating and refurbishing hundreds of thousands of vacant and foreclosed homes and businesses. Building on proven approaches to stabilizing neighborhoods with high concentrations of foreclosures, Project Rebuild will bring in expertise and capital from the private sector, focus on commercial and residential property improvements, and expand innovative property solutions like land banks. This approach will not only create construction jobs but will help reduce blight and crime and stabilize housing prices in areas hardest hit by the housing crisis. This will put small contractors back to work, and help revitalize housing markets – a key source of collateral for small business owners.
  - *Small business owners often rely on the value in their homes as a source of collateral to start or grow their establishments.* As housing markets collapsed during the crisis, this source of credit dried up. Through the end of 2010, according to an analysis by the Federal Reserve Bank of Cleveland, the \$31.5 billion decline in home equity lines of credit would eliminate \$7.9 billion in credit available to business owners for either personal use or business operations.

**Fully Paid for as Part of the President’s Long-Term Deficit Reduction Plan:**

- To ensure that the American Jobs Act is fully paid for, the President will call on the Joint Committee to come up with additional deficit reduction necessary to pay for the Act and still meet its deficit target. The President will, in the coming days, release a detailed plan that will show how we can do that while achieving the additional deficit reduction necessary to meet the President’s broader goal of stabilizing our debt as a share of the economy.