

For Immediate Release

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How the Economic Stimulus Bill and the California Budget will affect Business

The American Recovery and Reinvestment Act and the California budget have far-reaching effects for the economy, but how do they directly affect businesses that aren't in the renewable energy or construction fields? Here are highlights from the Recovery Act, followed by highlights from the California budget.

- **\$255 million in loans to pay debt service** on qualified business loans: The SBA will loan up to \$35,000 to viable small businesses to make payments on existing, qualifying loans for up to six months. Repayment begins 12 months after the loan is fully disbursed.
- **Increase in SBA 7(a) loan guarantee up to 90%** of the loan and **reduction or elimination of SBA loan fees**.
- **\$30 million additional loan funds available through SBA-approved microlenders**. Microlenders can loan up to \$35,000 for start-up and small businesses.
- **Immediate tax write-off of equipment purchases up to \$250,000** (Section 179 depreciation write-off).
- **Tax credits for hiring unemployed veterans and disaffected youth**. These workers were added to the federal Work Opportunity Tax Credit program.
- Ability for companies that produce intangible property to finance their facility using **industrial development bonds**. An example is a business that develops new processes or technology.
- Ability for employees of **service businesses and farms** that are experiencing downsizing because of international competition to participate in the **federal Trade Adjustment Assistance program**.
- **Creation of Recovery Zones** where businesses are eligible for tax credits. This is similar to an enterprise zone, but it is based on areas with declining employment.
- **5 year operating loss carry-back for 2008 business losses** for federal taxes. If you had a business loss in 2008, but paid taxes in prior years, you can get a refund.
- **Withholding changes**: There will be a new federal withholding schedule that gives employees more take-home pay and the 3% withholding from government contractors has been delayed until 2011.
- **Increase in the SBA surety program for job completion** to help small businesses compete for public works projects.

California's budget adds a few other benefits.

- If your business has fewer than 20 employees, you can receive a **\$3,000 state tax credit for each new full-time worker hired**.
- **Multiple-state businesses will be able to hire more workers and invest more in California** without triggering an increase in taxes.

But the bad news for California businesses includes:

- **1% sales tax increase** effective April 1, 2009.
- **1/4% increase in California's personal income tax rates**.

Businesses can find resources for surviving this economic downturn on South County EDC's Tools for Business Success website at www.southcounty.toolsforbusiness.info.