



For Immediate Release
June 29, 2010

Contact: Scott Mulhauser/Erin Shields
(202) 224-4515

**Floor Statement of Senator Max Baucus (D-Mont.)
Regarding The Small Business Jobs Act**

Winston Churchill said: "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."

The Great Recession has been a difficulty, to say the least.

Today we are looking for the opportunity. One opportunity — and our first priority — is to create new jobs.

This is no easy task. Over the course of the Great Recession, more than eight million jobs have been lost. But we must not shy away from this opportunity.

The first step Congress took to create jobs was to pass the Recovery Act in February of 2009. In their latest report on the Recovery Act, the nonpartisan Congressional Budget Office reports that the Recovery Act has added 1.2 to 2.8 million people to America's payrolls.

And in March, Congress passed the HIRE Act. The HIRE Act includes a payroll tax exemption for new hires. That act will help to bolster job creation in the coming months.

These actions are working. In April, we learned that the economy added 290,000 jobs. And while we added fewer jobs than expected last month, May marked the fifth consecutive month of job growth. Since the beginning of 2010, the American economy has created more than half a million jobs.

We are also beginning to see economic growth. Just a year ago, in the first quarter of 2009, the economy was shrinking at a rate of 6.4 percent. In the first quarter of this year, however, the economy grew at a rate of 3.2 percent.

This was the third consecutive quarter of growth after four straight quarters of decline.

In just one year, the economy went from freefall to sustained growth.

These signs are encouraging. But we still have work to do.

Fifteen million Americans remain unemployed. The national unemployment rate is still near 10 percent. The Congressional Budget Office does not expect unemployment to reach its "natural state" of five percent until 2016.

Plainly, we must act. We must work to create jobs.

In America, the private sector is the backbone of innovation and job creation. And within the private sector, small businesses are the principal engine of job creation.

Over the past 15 years, small businesses have generated two-thirds of all new jobs. That's about 12 million new jobs.

But the Great Recession hit small business especially hard. Over the course of the recession, small firms have accounted for 64 percent of net job losses.

We need to focus on small business, as we seek to create jobs. When we help small businesses, we help to get Americans back to work.

The first way that we can help small business is by promoting access to capital.

Today, only half of small businesses seeking a loan are able to get the credit that they need. And nearly a quarter receive no credit at all.

Compare this to 2005, when 90 percent of small employers had their credit needs met. And only eight percent were unable to receive credit at all.

It's clear that small businesses are facing major obstacles to getting capital.

That's why our small business bill includes a provision to completely eliminate the tax on the sale of certain small business stock purchased this year. This proposal would provide a powerful incentive to invest in small, entrepreneurial firms, right now.

We have also included a provision that would allow small businesses to carry back for five years their unused general business tax credits from this year.

And we have included another provision that would allow certain small businesses to use these general business credits against the Alternative Minimum Tax. These provisions would free up business capital for expansion and job growth.

And another provision would temporarily shorten the holding period of assets after a C corporation converts to an S corporation. This provision would allow small businesses to increase liquidity by selling assets that would otherwise be subject to an additional layer of tax.

We can also help small businesses by stimulating investment. Small businesses need to make capital investments to improve and expand.

One way to boost investment in equipment is by increasing the amount and types of property that small businesses can write off immediately, rather than expense over time. In this weak economy, the ability to deduct the costs of assets in the year that they are incurred provides an immediate benefit for small businesses.

Our bill also includes an extension of bonus depreciation. This provision would help small businesses that purchase equipment to write off those purchases more quickly. The proposal would also help the businesses that sell the equipment. Bonus depreciation sparks investment, increases cash flows, and creates jobs.

Our small business bill also includes two provisions to promote fairness and protect small businesses from costs that could slow business growth and development.

First, the Act modifies the penalties for small businesses that unknowingly invest in something that the IRS considers to be a tax shelter. Businesses can be subject to penalties of up to \$300,000 for investing in a tax shelter. A penalty that large can severely jeopardize the success of a small business. Our bill would limit the penalty in relation to size of the investment.

Our bill also promotes fairness by allowing business owners to deduct against self-employment tax the cost of health insurance in 2010 for themselves and their family members. Current law does not permit the self-employed to deduct the cost of health insurance for themselves and their family members in calculating self-employment tax. But health care for employees receiving coverage through an employer is generally tax free. Our bill would put the self-employed on a more equal footing.

And our small business bill includes provisions aimed at promoting entrepreneurship.

According to a recent report, from 1980 to 2005, nearly all net job creation occurred in firms less than five years old. In fact, without start-ups, net job creation would have been negative almost every year for the past three decades.

As our economy emerges from the Great Recession, we need to ensure that American entrepreneurs have the resources, financing, and opportunities that they need to create jobs and realize their dreams.

Our bill would help to promote entrepreneurship by temporarily increasing the amount of start-up costs that could be deducted. This would free up capital that could be used to invest in other aspects of the business.

And our bill would devote more than \$5 million for the U.S. Trade Representative to expand opportunities for U.S. small businesses in foreign markets. This would help American goods and services to reach new customers around the world. This would create jobs, right here at home. And this would help USTR to enforce our trade agreements to ensure that American start-ups can compete on a level playing field.

And our bill is paid for. Our bill would reduce the tax gap, promote retirement preparation, and close tax loopholes.

Today, we must find opportunity in a difficulty.

The Great Recession has been a major difficulty for American workers and for small businesses. But we can seize a major opportunity by helping small businesses and getting Americans back to work.

I urge my colleagues to support this important small business jobs bill.

###