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Grassley: Small Business Tax Relief Should Be on White House Jobs Agenda

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, today called on the White House and Democratic congressional leaders to boost job creation by lowering small businesses' tax burden. Grassley introduced legislation in June that includes a series of measures to jumpstart small businesses, which create 70 percent of all net new jobs.

“My bill will leave more money in the hands of small business owners so they can hire more workers, keep paying the salaries of their employees, and make additional investments that will lead to new jobs,” Grassley said. “Unfortunately, the White House and congressional Democrats seem to see small business owners as a cash cow for other priorities and want to raise their taxes. If we don’t help the one segment of the economy that creates the majority of new jobs, we’ll be in even worse economic shape than we are now.”

Grassley said the President’s jobs summit on Thursday should consider small business tax relief, and the Democratic leaders in Congress should follow suit. The summit will include a discussion group on small business incentives, but small business has been targeted for tax increases or been ignored by the White House and congressional Democratic leaders, Grassley said.

Economists agree that at least 70 percent of new jobs will come from the small-business sector, Grassley said. Even so, the President and Congress have focused on bailing out the big banks and big business instead of encouraging the real job creators in small business, Grassley said.

Grassley said the paltry portion of the stimulus bill that was devoted to small business tax relief is a perfect example. An analysis by the Republican tax staff of the Finance Committee found that less than one-half of 1 percent of the tax relief in the stimulus bill went to small business.

One-third of the \$460.5 billion raised by the surtax in the House of Representatives' health care bill comes from flow-through business income, according to the non-partisan Joint Committee on Taxation and Republican Finance Committee tax staff. This hits small businesses particularly hard because most small businesses are set up as flow-through entities. The estimate is likely conservative because other kinds of income that these business owners receive, such as capital gains and dividends, aren't included in the one-third figure, Grassley said. "The marginal tax rate on that kind of small business income will rise by 69 percent," Grassley said. "Small businesses create 70 percent of new jobs. If the surtax is enacted, job creation will go down."

"My legislation has tax relief that's worked before and will work again," Grassley said. "It's ready to go. Some small business owners will be at the White House summit this week. If they get a chance, I believe they'll ask the President for tax relief so they can continue to create jobs."

Grassley's *Small Business Tax Relief Act of 2009* includes provisions that would:

- Increase the amount of capital expenditures that small businesses could expense from \$250,000 to \$500,000. This would encourage businesses to invest in new equipment.
- Allow more small C corporations to benefit from the lower tax rates for the smallest C corporations.
- Take the general business credits out of the Alternative Minimum Tax (AMT) for those sole proprietorships, flow-throughs and non-publicly-traded C corporations with \$50 million or less in annual gross receipts.
- Extend the 1-year carryback for general business credits to a 5-year carryback for small businesses.
- Provide a 20 percent deduction for flow-through business income for small businesses, which are defined as flow-through entities with \$50 million or less in annual gross receipts.
- Lower the potential tax burden when a C corporation becomes an S corporation. Under current law, there is no tax on built-in gains of assets within a C corporation that converts to an S corporation if those assets with built-in gain are held for 10 years by the S corporation. The stimulus bill reduced this 10-year period down to 7 years for sales of assets with built-in gain that occur within 2009 and 2010. The Grassley bill reduces this time period to 5 years for all S corporations that have converted from a C corporation.

Grassley, an Iowa Republican, is ranking member and former chairman of the Committee on Finance, which writes all tax policy in the Senate.