



July 26, 2010

WAY TO GO - NOT!

The Senate continues to defy any sort of “conventional wisdom.” It managed to go through a whole week working on a small business lending and tax relief bill and it sure looks as if it just got itself back to where it started the week.

In between, the Senate decided to remove the Small Business Lending Fund (SBLF) portion of the bill and then took a procedural vote to allow it to be added back in as an amendment. The SBLF is the \$30 billion fund that would go to community banks and others to help with their small business lending.

SBLF has created an interesting split between Senate Small Business Committee Chair Mary Landrieu (D-LA) and Committee Ranking Republican Olympia Snowe (R-ME). Senator Landrieu supports creation of the SBLF. The arguments in opposition have centered on the fact it will be a “TARP junior” (Troubled Assets Relief Program) and that extending recent improvements to SBA lending programs is a better alternative. Our understanding is most of the TARP like aspects have been removed and this is not structured as a bail out but as an incentive program for community banks and others. As far as SBA lending programs go, by their design and purposes, they help very few existing businesses.

There are some good tax relief provisions in the bill ranging from easing the penalty for engaging in “listed transactions” to an increase in the direct expensing allowance. The worst item in the bill is the doubling of the penalties for inadvertent errors in filing Forms 1099. We had hoped that estate tax relief would be added to the bill but it looks like that won't happen. This is bad news because many believe that Congress will simply not be able to pass any other tax legislation this year. We continue to hear from staffers that the issue will be dealt with before the end of the year and we have heard that support for a retroactive reinstatement of the estate tax in 2010 appears to be waning the longer it takes to deal with the issue. Having said that though it may end up that the only way to get a deal through the Senate which would allow the \$3.5 million exemption to become permanent and possibly indexed to a cost of living adjustment is to retroactively reinstate the estate tax. *At this juncture what is clear is that there is no proposal on the estate tax issue that would garner 60 votes.*

At the end of week, like the Senate, we were back to where we were at the beginning of the week, asking: Does the Senate Majority Leader have 60 votes to pass the small business lending and tax relief bill? We have heard that they are up to 59 votes. And yes, it is possible the Senate will pass the bill and the House will hang around long enough to take it up and pass the Senate version before heading home.

FORM 1099

Senator Mike Johanns (R-NE) and others have introduced S.3578 - Small Business Paperwork Mandate Elimination Act. The bill would repeal the Form 1099 expansion enacted earlier this year as part of Public Law 111-148. We support their efforts.

You can go to www.stopform1099.org to send emails to Representatives and Senators.

FRENZY WEEK IN WASHINGTON

Congress goes out on August recess next week and returns after Labor Day. This is an ideal time to meet with your Representative in his/her home office. These meetings are given real weight by the members and/or their staff. Even if you can't stop in - try to get through by phone. The top three issues right now are 1) estate tax certainty that allows small businesses, family farms and ranches to make it through the federal estate tax process, 2) if the small business tax bill doesn't pass before recess (and we'll let you know if it does), relief from the horrendous 6707A penalties and 3) repeal of the expansion of the 1099 requirement that will impose a tremendous burden on small business. If you need a position paper on any of these issues, please e-mail us and we'll be happy to send it to you. It will be interesting to see if anything gets accomplished in the Senate this week....