



The Small Business Jobs Act of 2010 - Loan Benefits to Small Businesses

November 4, 2010, By [Brad Hamilton](#), from [The Law of Business](#)

This is Part 1 of 2 articles on the Small Business Jobs Act of 2010. This article summarizes the loan incentives and benefits of the Jobs Act, and Part 2 summarizes the tax changes and incentives.

On September 27, 2010 President Obama signed into law the [Small Business Jobs Act of 2010](#), P.L. 111-240 (the "Jobs Act"). The Act, attempting to ease credit lending, has \$12 billion in tax cuts, including

- extension and expansion of the SBA Recovery Loan program,
- increase in asset expensing, and
- a continuation of bonus depreciation.

Extension of SBA Recovery Loan Provisions

The [American Recovery Capital Loan Program](#) was started in the summer of 2009 to help small businesses facing temporary financial hardship by providing loans of up to \$35,000 per month for up to six months. Borrowers do not have to begin loan repayments until 12 months after the end of the lending period, and the business can take as long as five years to repay. The loans have no fees, are interest free and SBA guaranteed. The loans are intended to be used to pay off existing debt, giving the small business a "debt service holiday" for up to 18 months, allowing the business to use cash flow that would otherwise go to pay debt, for investment, hiring, growth and other purposes. In spite of initial lender resistance to the loan program, it gained momentum during the year after enactment, providing \$30 billion in lending to over 70,000 small businesses.

With funds provided in the Jobs Act, the SBA is funding new Recovery loans and clearing out 1,400 applications in the loan queue by businesses requesting more than \$730 million in loans. The extension provided by the Jobs Act provides the capacity to support \$14 billion in new loans to small businesses.

Increase SBA Loan Size

The Jobs Act permanently increases the maximum loan size for legacy SBA loan programs, raising the maximum size for the [7\(a\) Loan Program](#) and the [CDC - 504 Loan Program](#) from \$2 million to \$5 million, and the maximum 504 manufacturing related loan from \$4 million to \$5.5 million. In addition, the Jobs Act temporarily increases the maximum loan size for the [SBA Express](#) loan program from \$350,000 to \$1 million; the Express loan program is primarily used to fund working capital loans that small businesses use to purchase new inventory.

Small Business Lending Fund for Community Banks

The Jobs Act also creates a new \$30 billion Small Business Lending Fund to fund capital investment into community banks - banks with less than \$10 billion in assets. Qualified community banks can get capital investment from the Treasury administered fund at an initial dividend rate of 5%, which can go as low as 1% depending on qualified lending volumes, but increases over four years; “community development” banks that lend to small businesses in low-income neighborhoods can get capital at a 2% rate for eight years. Banks with less than \$1 billion in assets can apply for capital investment up to 5% of risk-weighted assets, and community banks with between \$1 billion and \$10 billion in assets can apply for up to 3% of risk-weighted assets. Certain application requirements must be met – these are well summarized at the [Iowa Banking Law Blog](#).

State Small Business Credit Initiative

Another part of the Act, the State Small Business Credit Initiative, will provide Colorado up to \$17.2 million to support state small business lending programs and collateral support programs, which is expected to support [approximately \\$172 million in new lending](#).

More detailed information about taking advantage of these programs is available at the SBA website linked throughout this article, and also by speaking with your community banker.

For help in understanding how the tax benefits provided by the Small Business Jobs Act of 2010 apply to your business or investments, contact your lawyer or tax accountant.

Circular 230 Disclosure

The following disclosure is provided in accordance with the Internal Revenue Service's Circular 230. Any tax advice contained in this alert is intended to be preliminary, for discussion purposes only, and not final. Any tax advice is not intended to be used for marketing, promoting or recommending any transaction or for the use of any person in connection with the preparation of any tax return. THE TAX INFORMATION IN THIS ARTICLE MAY IS NOT INTENDED TO BE USED, AND MAY NOT BE USED, BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER BY THE INTERNAL REVENUE SERVICE. FOR INFORMATION ABOUT THIS STATEMENT CONTACT JONES & KELLER, PC. (The foregoing legend has been attached pursuant to U.S. Treasury Regulations governing tax practice.)

This communication is provided for your information only and is not intended to constitute legal advice or legal opinion as to any particular situation. You should not take, or refrain from taking, any action based on information in this article, without seeking legal counsel from an attorney on your particular facts and circumstances. Jones & Keller would be happy to provide you with specific advice about particular situations, if desired. Do not hesitate to contact us.

Contacts

Jones & Keller, P.C. - Downtown
1999 Broadway, Suite 3150
Denver, Colorado 80202
P: (303) 573-1600
F: (303) 573-8133
www.joneskeller.com

Jones & Keller, P.C. – Tech Center
5613 DTC Pkwy, Suite 970
Greenwood Village, Colorado 80111
P: (303) 376-8400
F: (303) 376-8439
www.joneskeller.com

About Jones & Keller

Jones & Keller means business. Our experienced team of award winning lawyers provide personal attention to public and privately held businesses and individuals, helping them to achieve business-minded solutions to legal needs. Our lawyers have been recognized by Super Lawyers®, Best Lawyers®, Best Law Firms®, and others for their knowledge and experience in the areas that matter the most to your business. At Jones & Keller we know that, no matter the size, your business is always big business to you.