

FACTBOX: Details of U.S. Senate small business bill

10:30am EDT

(Reuters) - Senate Democrats, aided by two Republicans, advanced a measure creating a \$30 billion fund to invest in independent community banks with the aim of increasing lending to small businesses.

Backers of the bill overcame a Republican logjam to set up a final vote on the bill, possibly by the end of the week.

Supporters of the package say it would provide capital to independent banks that could translate into \$300 billion in lending to small businesses, lending that has been crimped since the financial crisis.

The House of Representatives in July passed a bill with similar provisions. The Senate bill would have to be sent to the House for final approval.

Republicans criticize the legislation as another government bailout similar to the \$700 billion Troubled Asset Relief Program that was used to prop up Wall Street firms during the 2008-2009 financial crisis.

Here are major details of the Senate bill:

SMALL BUSINESS LENDING FUND

* The Senate bill, like the version passed by the House, would establish a \$30 billion fund to provide capital to small community banks to prompt small business lending.

* Only banks with less than \$10 billion in assets will be eligible. More than 90 percent of eligible banks have less than \$1 billion in assets.

* Treasury's authority to make capital investments would expire after one year.

* Banks would pay a 5 percent dividend on the government capital investments. But dividend payments would decrease to as low as 1 percent as banks increase small business lending relative to a 2009 base level.

* Banks that do not increase their small business lending in the first two years after receiving the capital are to pay a 7 percent dividend.

* To encourage timely repayment of investments, the rate increases to 9 percent after four and a half years.

OTHER PROVISIONS

* Provides \$1.5 billion to support existing state small business credit initiatives.

* Increases Small Business Administration loan limits to \$5 million from \$2 million.

* To encourage investments in small businesses, the bill would exclude some small business stock sales from capital gains taxes. The stock must be held for more than five years.

* Small business deductibles for start-up costs would be doubled to \$10,000.

* Small businesses would be able to immediately expense up to \$250,000 in capital spending. The bill also extends tax provisions that allow all businesses to more quickly write off purchases of new equipment and other depreciable property.

* The bill frees up capital by allowing small businesses to carry back general business tax credits to offset taxes paid over the previous five years, instead of the current one year carry back. Anything left over can be carried forward for 20 years.

* The bill's cost is to be offset by revenue-raising provisions aimed at clarifying and tightening tax rules, including tightening eligibility for a tax credit on corrosive biofuels such as crude tall oil, a by-product of paper manufacturing.

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