

## President Obama Appoints Susan Walthall Acting Chief Counsel

On October 23, President Obama appointed Susan M. Walthall to serve as the Office of Advocacy's acting chief counsel. Walthall brings a deep commitment to the office, which she initially joined in 1976. Since then, she has served in senior positions in Advocacy at various times, including as acting chief counsel for most of 2001.

"I view my role here as preserving the integrity of the Office of Advocacy and its ongoing commitment to serving the small business community," Acting Chief Counsel Walthall said. "My goal is to ensure that the next Senate-confirmed chief counsel inherits an office that is functioning at a high level and generating quality research and analysis, enabling policymakers to assess small business needs and formulate effective policy."

Walthall has 33 years experience in the U.S. Small Business Administration. Prior to accepting this presidential appointment, she

served in a variety of key SBA roles, most recently as director of community relations. In this position she administered the SBA's National Advisory Council, reached out to business and trade associations, and directed SBA's annual Small Business Week. From 2002 to 2008, she was deputy associate administrator for field operations, in charge of nearly 1,700 employees. She was the national sponsor liaison for the 1995 White House Conference on Small Business and raised more than \$1 million for the event. She has directed the SBA's Executive Secretariat, coordinated the agency's public affairs operations, and worked on the agency's strategic plan. In the late 1980s, she was assistant regional administrator for public affairs and communications in the SBA's Philadelphia office.

Advocacy welcomes Walthall back to the office and congratulates her on her new appointment.

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**The New Small Business Profiles are here!**

To see the latest figures on your state, go to [www.sba.gov/advo/research/profiles](http://www.sba.gov/advo/research/profiles)

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## Regulatory News

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### Smaller Public Companies Get Final Sarbanes-Oxley Reprieve

By Dillon Taylor, Assistant Chief Counsel

The Securities and Exchange Commission (SEC) has given the smallest public companies extra time to comply with the final portion of Sarbanes-Oxley. The extension will apply to companies with a public float below \$75 million. Such small companies must now begin complying by June 15, 2010, with a provision in the law, known as section 404, requiring them to report on the effectiveness of their internal controls. Previously, the companies were to begin complying by December 15, 2009.

The SEC said it decided on the extension after issuing a new

study on the compliance costs of the change, which it indicated the smallest companies would need additional time to review. The full SEC study may be found at this link: [www.sec.gov/news/studies/2009/sox-404\\_study.pdf](http://www.sec.gov/news/studies/2009/sox-404_study.pdf).

SEC Chairman Mary Schapiro said that this would be the last extension: "Since there will be no further commission extensions, it is important for all public companies and their auditors to act with deliberate speed to move toward full Section 404 compliance."

#### The Small Business Advocate

Editor Rebecca Krafft

Managing Editor Rob Kleinsteuber

Contributing Editors Brian Headd, Keith Holman, Dillon Taylor, Kathryn Tobias, Victoria Williams

Production Assistant Angela Hamilton

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### Advocacy Hosts Roundtable on EPA's Planned Greenhouse Gas Rules

By Keith Holman, Assistant Chief Counsel

On October 13 Advocacy hosted an Environmental Roundtable entitled "EPA's Greenhouse Gas Regulations: What Will They Mean to Small Business?" Speakers from the U.S. Environmental Protection Agency (EPA) gave an overview of the various greenhouse gas (GHG) rulemakings now underway or recently completed. These include the new requirement to calculate and report annual GHG emissions (the first report is due in 2011); GHG emission standards for cars starting in the 2012 model year; and the requirement to obtain a permit before building, modifying or operating a facility that emits GHGs.

Under EPA's proposal, most small businesses would be deferred from having to comply with the

GHG permitting requirements for six years. During that time, EPA plans to consider ways to streamline the permitting process for the more than 6 million GHG sources that would have to apply for permits in 2010 if they did not receive the deferral. EPA will accept public comments on this proposed deferral until December 28, 2009. (Comments can be filed at [www.regulations.gov](http://www.regulations.gov), attention Docket ID No. EPA-HQ-OAR-2009-0517.)

Small business representatives from a wide variety of industries attended the roundtable, including building and construction, agriculture, oil refining, chemical manufacturing, and municipal utilities. Despite EPA's planned deferral for most small businesses, Advocacy is concerned that more than 1,000

small businesses and small communities will have to comply immediately with the GHG permitting requirements.

For more information, contact Assistant Chief Counsel Keith Holman at (202) 205-6936 or [keith.holman@sba.gov](mailto:keith.holman@sba.gov).

## Economic News

### Small Business Profiles Reflect Small Firms' Contribution to Employment

By Kathryn Tobias, Senior Editor

The 2009 edition of the Office of Advocacy's annual state profiles shows details galore about the small businesses in your state. The data cover the overall state picture, including the total number of businesses, business turnover, workforce characteristics, and bank lending. They also provide information on industry distribution of small and large businesses and their role in the state's job base. And the data also reveal the impact of small and large firms on job creation and losses at the state level. The profiles are based on the latest available data. The 2007 data showing the number of small and large employers will be added when they become available in early 2010.

Many of the states with the largest shares of their 2008 employment in small firms also generated the largest increases in jobs on the eve of the economic decline in 2008 (see table). Of the 25 states with the largest shares of private sector employment in small firms—ranging between 51.6 percent and 69.8 percent—more than half saw employment increases in 2008. The highest percentage of job gains—more than 3 percent—were in North Dakota and Wyoming, with 66.2 percent and 63.3 percent of their employment in small firms.

Of the other half—the 25 states (and the District of Columbia)—with less than 51.5 percent of their employment in small firms, just four had employment increases, and 10 had employment declines of more than 1 percent. The largest employment decline was in

the state with the smallest share of small business employment, Florida.

Of course, many factors are likely to have influenced the employment picture in 2008. Exceptions to these patterns—states with lower shares of small business employment that saw job gains in 2008—included Texas, the District of Columbia, and Massachusetts. States with higher shares of small

business employment that had employment losses of more than 1 percent in 2008 were Michigan, Hawaii, California, Rhode Island, Idaho, and Oregon.

The profiles were compiled by Advocacy economists Victoria Williams and Brian Headd. To view them all, visit [www.sba.gov/advo/research/profiles](http://www.sba.gov/advo/research/profiles).

Small Firm Employment Share and Employment Change in 2008, by State					
State	Small Firm Employment Share (%)	Employment Change (%)	State	Small Firm Employment Share (%)	Employment Change (%)
Montana	69.8	0.0	New Jersey	51.1	-0.8
Wyoming	66.2	3.1	Minnesota	51.0	-0.5
Vermont	63.5	-0.5	<b>United States</b>	<b>50.2</b>	<b>-0.7</b>
North Dakota	63.3	3.0	Mississippi	50.1	-0.9
South Dakota	63.2	1.4	Kentucky	50.0	-0.7
Maine	60.6	-0.1	South Carolina	50.0	-1.6
Idaho	58.6	-1.7	Pennsylvania	49.9	0.0
Oregon	57.2	-1.3	Utah	49.9	-0.2
Rhode Island	57.1	-2.3	Alabama	49.7	-1.4
New Mexico	57.0	0.1	Missouri	49.7	-0.4
Hawaii	56.1	-1.7	Connecticut	49.6	-0.1
Washington	55.7	0.5	Virginia	49.4	-0.4
Alaska	55.6	1.4	Illinois	49.2	-0.7
New Hampshire	54.9	-0.4	Arizona	48.8	-3.3
Kansas	54.6	0.6	Arkansas	48.8	-0.5
West Virginia	54.3	0.4	Indiana	48.6	-1.6
Louisiana	54.1	0.9	North Carolina	48.6	-0.9
Oklahoma	54.0	1.9	Ohio	48.6	-1.5
Maryland	53.4	-0.9	Delaware	48.3	-1.0
Wisconsin	53.4	-0.6	Massachusetts	48.3	0.2
California	52.1	-1.3	D.C.	48.2	0.9
Colorado	51.7	0.4	Texas	46.8	2.1
New York	51.7	0.6	Georgia	46.3	-1.8
Iowa	51.6	0.2	Tennessee	45.1	-1.2
Michigan	51.6	-2.8	Nevada	44.2	-3.1
Nebraska	51.4	0.7	Florida	44.0	-4.0

Source: *Small Business Profiles for the States and Territories, 2009*. U.S. Small Business Administration, Office of Advocacy. [www.sba.gov/advo/research/profiles](http://www.sba.gov/advo/research/profiles).

## United States

The United States' 6.0 million small employers and 21.7 million nonemployers make significant contributions to the economy and bring innovative products and services to the marketplace.\* They are an important source of employment and opportunity throughout the nation. This profile by the Office of Advocacy uses the latest statistics to describe the small business contribution in the greatest possible detail. (Note: A small business is defined as one with fewer than 500 employees.)

- The United States' real gross domestic product increased by 0.7%; private-sector employment decreased by 0.7% in 2008.
- The health care and social assistance industry was the nation's largest small business and overall employer in 2006 (Table 1).
- Small businesses are a major force in the nation's net job change, as illustrated in Table 2.
- Small employers in the United States numbered 6.0 million in 2006, representing 99.7% of the nation's employers and 50.2% of its private-sector employment. (Source: U.S. Dept. of Commerce: Bureau of the Census.)

### For Further Information

- For data on all the states and territories, visit [www.sba.gov/advo/research/profiles](http://www.sba.gov/advo/research/profiles).
- For other small business data and analysis, visit [www.sba.gov/advo/research](http://www.sba.gov/advo/research), call (202) 205-6533, or email [advocacy@sba.gov](mailto:advocacy@sba.gov).
- Visit <http://web.sba.gov/list> to subscribe to listservs for Advocacy's newsletter, press releases, regulatory news, and research reports.
- Visit [www.sba.gov/advo/rsslibrary.html](http://www.sba.gov/advo/rsslibrary.html) for RSS feeds.

\* Employer data are from 2006; nonemployer data are from 2007.

United States Small Business Facts			
	2007†	2006	2000
<b>Number of Businesses</b>			
Small employers (<500 employees)	n.a.	6,004,056	5,635,391
Large employers (500+ employees)	n.a.	18,071	17,153
Nonemployers	21,708,021	20,768,555	16,529,955
	2002‡	% Share in 2002	% Change 1997–2002
<b>Business Owner Demographics</b>			
Male-owned	13,184,033	57.4	15.9
Woman-owned	6,489,259	28.2	19.8
Equally male/female-owned	2,693,360	11.7	-26.0
African American-owned	1,197,567	5.2	45.4
Asian-owned	1,103,587	4.8	23.5
Hispanic-owned	1,573,464	6.8	31.1
Native American/Alaskan-owned	201,387	0.9	NA
Hawaiian and Pacific Islander-owned	28,948	0.1	49.4
	2008†	% Change from	
		2007	2000
<b>Workforce (Thousands) /Unemployment (%)</b>			
Private-sector employment	113,192	-0.7	2.9
Government employment	21,617	1.2	8.8
Self-employed (incorp. & uninc.)	15,918	-1.9	10.9
Female self-employment	5,293	-2.5	7.6
Male self-employment	10,625	-1.5	12.6
Minority self-employment	1,855	-0.4	34.3
Veteran self-employment	1,602	-7.3	-21.6
Unemployment rate (%)	5.8	1.2	1.8
<b>Business Turnover</b>			
Quarterly establishment openings	1,429,000	-3.8	2.7
Quarterly establishment closings	1,555,000	7.0	18.6
Business bankruptcies	43,546	53.8	22.8
	2008†	2007	2000
<b>Income and Finance</b>			
Proprietors' income (\$billion)	1,069.6	1,043.9	730.5
Number of bank branches	98,525	96,624	84,871
No. of bus. loans under \$100,000‡	n.a.	12,786,987	3,965,304
Total value of business loans under \$100,000 (\$million) ‡	n.a.	142,114	51,887
Sources: U.S. Dept. of Commerce, Bureau of the Census and Bureau of Economic Analysis; U.S. Dept. of Labor, Bureau of Labor Statistics; Administrative Office of the U.S. Courts; Federal Deposit Insurance Corporation; and U.S. Small Business Administration, Office of Advocacy ( <a href="http://www.sba.gov/advo/research/sbl_08study.pdf">www.sba.gov/advo/research/sbl_08study.pdf</a> , Table 4b). n.a. not available. † Latest available data; certain figures are economywide. ‡ CRA loans.			

**Table 1. Firms and Employment in the United States by Industry and Firm Size, 2006 and 2007  
(Nonfarm, Thousands)**

Industry	Nonemployer Firms (2007)	Employer Firms (2006)			Employment (2006)		
		Total	1-19 Employees	1-499 Employees	Total	1-19 Employees	1-499 Employees
Total	21,708.0	6,022.1	5,377.6	6,004.1	119,917.2	21,609.5	60,223.7
Forestry, etc. and agriculture support	236.1	22.9	21.4	22.8	165.7	(D)	(D)
Mining	101.6	20.6	17.2	20.2	554.3	71.9	244.5
Utilities	17.6	6.6	5.2	6.4	614.4	21.3	109.2
Construction	2,657.4	791.6	723.3	790.5	7,338.8	2,700.9	6,264.7
Manufacturing	328.1	286.0	210.9	282.0	13,631.7	1,180.8	6,056.2
Wholesale trade	401.9	334.6	286.2	331.5	6,030.6	1,232.2	3,685.7
Retail trade	1,979.6	725.6	656.4	723.3	15,767.9	2,828.3	6,314.3
Transportation and warehousing	1,083.1	171.9	150.8	169.8	4,306.4	541.8	1,629.6
Information	807.1	75.0	63.8	73.9	3,396.2	250.3	894.0
Finance and insurance	763.5	263.0	241.2	261.3	6,647.1	788.5	2,183.9
Real estate and rental and leasing	2,327.1	306.0	290.9	304.8	2,216.8	786.1	1,521.0
Professional, scientific, and technical svcs.	3,028.5	772.0	721.3	769.1	8,054.1	2,294.5	4,958.0
Management of companies and enterprises	--	26.8	5.7	19.7	2,915.6	14.7	351.7
Admin., support, waste mgt., remed. svcs.	1,792.5	323.3	282.4	319.6	10,003.6	1,029.0	3,732.5
Educational services	528.2	73.8	56.6	72.7	2,979.5	259.1	1,333.9
Health care and social assistance	1,768.1	605.8	527.0	602.0	16,451.4	2,545.0	7,946.4
Arts, entertainment, and recreation	1,119.6	115.0	99.0	114.4	1,973.7	362.2	(D)
Accommodation and food services	303.5	467.1	372.2	465.3	11,381.2	2,055.2	6,848.9
Other services (except public admin.)	2,964.6	672.1	624.8	670.7	5,458.6	2,546.7	4,663.6
Unclassified	--	27.0	26.9	27.0	29.5	(D)	(D)

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses. (See [www.sba.gov/advo/research/data.html](http://www.sba.gov/advo/research/data.html) for data from other years, and for starts, closures, job creation and destruction by industry and by size category.)

(D) Data suppressed to protect the confidentiality of individual firms.

**Table 2: Net Job Change by Firm Size, 2003–2006 (Nonfarm)**

	Total Net New Jobs	Employment Size of Firm						
		1-4	5-9	10-19	20-99	100-499	<500	500+
2003 - 2004	1,675,885	1,087,128	336,236	201,247	199,298	66,209	1,890,118	-214,233
2004 - 2005	1,241,428	897,296	141,057	-11,959	-131,095	83,803	979,102	262,326
2005 - 2006	3,598,320	1,001,960	295,521	292,065	590,139	345,925	2,525,610	1,072,710

Source: U.S. Dept. of Commerce, Bureau of the Census. (For more detailed data see [www.sba.gov/advo/research/data.html](http://www.sba.gov/advo/research/data.html).)

**Table 3: Establishment and Employment Turnover by Quarter, 2008 (Nonfarm, Thousands)**

	Establishments				Employment Change Due To:			
	Openings	Expansions	Contractions	Closings	Openings	Expansions	Contractions	Closings
Quarter 1	357	1,517	1,596	380	1,399	5,731	6,047	1,353
Quarter 2	355	1,479	1,633	391	1,400	5,858	6,277	1,474
Quarter 3	349	1,439	1,608	379	1,318	5,504	6,383	1,371
Quarter 4	368	1,376	1,686	405	1,345	5,367	6,977	1,490

Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Business Employment Dynamics. (For more detailed data see [www.bls.gov/bdm/home.htm](http://www.bls.gov/bdm/home.htm).)

Note: These figures contain all firm sizes; Census data from 2006 show that 86 percent of establishment births and deaths were in firms with fewer than 500 employees.

### Two New Data Sources Provide Clearer Jobs and Hiring Picture

by Brian Headd, Economist

While job generation isn't as important to policymakers as it is to job seekers themselves, it comes pretty close. And to make or evaluate policies you need information. While the previous century's data collection agencies focused more on characteristics of the labor force (such as the Current Population Survey and the Survey of Income and Program Participation) this century has seen an influx of data on the businesses that employ—and unemploy—the labor force.

Two relatively new data sources from the Bureau of Labor Statistics (BLS) illustrate this trend: the Job Openings and Labor Turnover Survey, or JOLTS, and the Business Employment Dynamics, or BED, program. These two relatively timely data sources offer insight into the employment maturation that takes place inside businesses.

JOLTS surveys businesses by major industry and reports job openings and job separations such as layoffs, discharges, and quits. JOLTS began producing monthly data at the end of 2000. Obviously the first few years offered little for comparison or analysis, but now, with almost ten years of data and two business cycles recorded, JOLTS can offer researchers keys into the job churn of employers.

JOLTS shows that 2001 had monthly separation rates (total separations as a percent of total employment) in the low 4 percent range while it was in the 3 percent range for 2008 and the first half of 2009. The job opening rate declined from 3.7 percent in January 2001 to 2.7 by December and from 3.0 percent in January 2008 to 1.8 percent in July 2009. So overall, job turnover is lower in the current periods than it was in 2001 and the current

job malaise seems more the result of a lack of hiring rather than an increase in firing. Unfortunately for the small business researcher, the survey does not capture firm size.

The Business Employment Dynamics (BED) is based on quarterly administrative data (aka government paperwork) so when the data program began in 2003, they were able to produce data going back to mid-1992. BED is also showing a decline in job turnover. And similar to JOLTS, most of the decline is from decreasing employment gains (births plus expansions) rather than increasing employment losses (deaths plus contractions).

The percent of jobs in the quarter that were from establishments gaining employment dropped from the 8 percent range in the late 1990s to the 6 percent range in 2008. In fact, the fourth quarter's figure of 6 percent was the low for the 17-year period covered. Employment from establishment births also was at the period low in the fourth quarter of 2008 at 0.7 percent, which was almost half the peak reached in the 1990s of 1.2 percent. The percent of jobs from establishments losing employment peaked in the third quarter of 2001 at 8.1 percent, fell during the recovery, and rose to 7.6 percent in the fourth quarter of 2008.

BED has been expanding its scope since its inception. BLS started producing state data and firm size data a few years back. These data show each firm size category—from the very small (1 to 4 employees) to the very large (1,000-plus employees)—mirroring the pattern above, that the share of employment from gross job gains has declined. And recently, BLS's internal R&D efforts resulted in yet

another unique output for the BED program, establishment size of change tables (see box).

While they don't offer solutions for improving the employment situation, these various sources make clear that the view that layoffs are the root of the current labor market's problem is founded more in myth than in fact. The lack of expanding businesses and new employers is the Achilles heel of the labor market.

#### For More Information

The Bureau of Labor Statistics's Job Openings and Labor Turnover Survey (JOLTS) can be found at [www.bls.gov/jlt](http://www.bls.gov/jlt). The Business Employment Dynamics (BED) is located at [www.bls.gov/bdm](http://www.bls.gov/bdm).

An additional BLS resource, the establishment size of change tables, are best described by their website's opening salvo ([www.bls.gov/bdm/bdsoc.htm](http://www.bls.gov/bdm/bdsoc.htm)). "Approximately one-third of gross job gains and gross job losses originate from a large number of establishments that are changing their employment level by 1-4 employees. In addition, approximately one-third of gross job gains and gross job losses originate from a relatively few number of establishments that are changing their employment by 20 or more jobs."

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## Research Notes

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### Individual Small Firms Feel the Greatest Impact of Reserve Activations

by Kathryn Tobias, Senior Editor

What effects have recent National Guard and Reserve call-ups had on small firms? Businesses that experience employee absences as a result of Reserve activations must adjust staffing and are likely to experience productivity losses and decreased performance. To the extent that these employees have unique skills or work in a team setting, their absence may lower the firm's productivity. The firm may also face costs arising from mandatory legal requirements to continue certain benefits and higher costs necessary to reallocate work and ensure that a comparable position is available when the employee returns.

To date, few studies have been conducted of the economic effects of these call-ups on employers, in part because few of these large-scale activations occurred prior to the 1990s. Since 2003, however, thousands of military reservists have been called to active duty.

A new Advocacy-sponsored study by SAG Corporation, *An Analysis of the Effect of Reserve Activation on Small Business*, analyzes the effects of call-ups on employers using data from the Department of Defense's Defense Manpower Center, matched to Dun & Bradstreet's private data source on employers.

The study finds that military reserve activations were relatively rare for employers—about 1 in 1,000 employees were called up for 30 days or more. About 70 percent of the employers of military reservists had fewer than 100 employees. On average, the activations had small but negative effects on a firm's revenues, and these effects were more pronounced for the smaller firms.

- Because of their small size, the activations affected a larger share of an individual small firm's employment than that of large firms.

- Because small firms are more numerous, they had a lower average activation rate per firm overall than larger firms—0.15 employees per small firm, compared with 2.4 employees per large firm.

- Not surprisingly, longer activations had larger impacts on a firm's sales than shorter activations.

- Extended absences had a disproportionate impact on small businesses. Of firms with activations of 30 days or more, small businesses had a 1.9 percent decrease in sales compared with larger firms, and of firms with activations of 180 days or more, small firms had a 3.0 percent decrease compared with larger firms.

- On average, the marginal effect of the activation of one additional employee was a decrease in sales of 0.30 percent for small firms and a decrease of 0.02 percent for large businesses. This 15-fold difference indicates that small businesses bear a heavier burden than large firms when reservists are activated.

The research summary can be found at [www.sba.gov/advo/research/rs352.pdf](http://www.sba.gov/advo/research/rs352.pdf) and the full study at [www.sba.gov/advo/research/rs352tot.pdf](http://www.sba.gov/advo/research/rs352tot.pdf).

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## r3 Update

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### Ready. Set. Nominate!

Do you know of a federal regulation that is in need of review and reform? This is the time to speak up. Nominations for the Office of Advocacy's 2010 edition of the Top 10 List of Rules in Need of Review and Reform are due by December 31, 2009.

r3 includes a process by which interested stakeholders can nominate existing regulations for reform, and monitor the progress that agencies make toward achieving those reforms. The nomination criteria may be found on Advocacy's webpage at [www.sba.gov/advo/r3/r3\\_nomination.html](http://www.sba.gov/advo/r3/r3_nomination.html).

To suggest reviews and reforms, please contact Advocacy at [advocacy@sba.gov](mailto:advocacy@sba.gov).



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## Tax News

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### IRS Issues Guidance on 2009 Required Minimum Distribution Waiver

by Dillon Taylor, Assistant Chief Counsel

Earlier this year, employers who are retirement plan administrators received relief from the minimum distribution requirements for 2009. The law generally requires an employer's pension plan to make a distribution to a plan participant the year the participant reaches age 70½. The Worker, Retiree, and Employer Recovery Act of 2008 waived the required minimum distributions for 2009 for certain retirement plans.

The Internal Revenue Service recently issued guidance, Notice 2009-82, implementing this provision. The notice provides two sample plan amendments that plan sponsors may adopt or use to amend their plans to either stop or continue 2009 required minimum distributions. Also, both sample

amendments allow the employer to offer direct rollover options of certain 2009 required minimum distributions.

For more information, see IRS Notice 2009-82: [www.irs.gov/pub/irs-drop/n-09-82.pdf](http://www.irs.gov/pub/irs-drop/n-09-82.pdf).

### New Small Business Planning Tool from IRS: Retirement Plan Navigator

The Internal Revenue Service has created a new web-based tool, the "Retirement Plan Navigator," to help small business owners. You can find it at [www.retirementplans.irs.gov](http://www.retirementplans.irs.gov).

The navigator guides small business owners in three areas: choosing a plan, maintaining a plan, and correcting a plan. The navigator includes a side-by-side comparison of pension plans and their requirements to help small business owners choose the one that best fits their situation. The navigator also provides a checklist and suggested resources to help employers keep their retirement plans in compliance with the law.

The IRS will update the navigator as pension laws and regulations change.

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