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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

October 1, 2001

The Honorable Max Baucus
Chairman
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Chairman and Senator Grassley:

The senseless terrorist attacks of September 11th have dealt a severe blow to the nation and to our already struggling economy. The Small Business Administration estimates that 14,000 small businesses are within the disaster area in New York alone. These businesses have been directly affected by this national disaster, but the economic impact does not stop there. For months small enterprises and self-employed individuals across the country have been struggling with the slowing economy. The recent terrorist attacks makes their situation even more dire.

In light of these events, the calls for economic-stimulus legislation have understandably increased. As your committee considers the scope of this stimulus package, I ask you to consider the following provisions of my bill, which will directly assist the nation's small businesses and self-employed individuals:

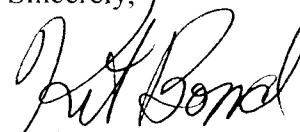
- ◆ *Increase the expensing limit for equipment purchases to \$100,000 and expand the phase-out under section 179 of the tax code to \$500,000. This change will encourage small businesses to invest in new and more efficient equipment and software today, which is particularly important because many businesses have put off new capital investments in light of the recent terrorist attacks and greater uncertainty about the economy. By enabling small firms to avoid the cost and complexity of capitalizing and depreciating new equipment purchases, an increased expensing limit will provide sorely needed funds for business expansion and job retention and growth.*
- ◆ *Reduce the depreciation recovery period to two years for computer equipment and software to encourage businesses that may not qualify for immediate expensing to invest in new technology. In addition to adding much-needed common sense to the tax code, such a change has the added benefit of stimulating the overall technology industry and increasing productivity, which is critical to our economic recovery.*

- ◆ *Increase the depreciation limit on business vehicles* under section 280F of the tax code to \$25,000. This change would provide cash-flow relief for small businesses by allowing them a greater depreciation deduction on business vehicles, while also coordinating the tax law with the current economic cost of automobiles, light trucks, and vans used in business. Moreover, an increased depreciation limit will encourage new investments in business vehicles, which will have a stimulative effect on the automobile industry.
- ◆ *Increase the deductibility of business meal expenses* to help the nation's restaurants. This industry, which is dominated by small businesses, has been significantly affected by the recent attacks, especially because of the fall off in business travel. Increasing the deduction is also likely to lead to increased tip income of many restaurant employees, who are often lower income earners, which will have an additional stimulative effect.
- ◆ *Repeal the unrelated business taxable income limit on investments by tax-exempt entities in Small Business Investment Companies (SBICs)*. Removing this limit will allow tax-exempt investors, such as pension funds, to invest in SBICs, which are a significant source of investment capital for small enterprises. In the near term, this change will provide significant capital for small businesses to ease their current cash-flow problems and stimulate new investments and job retention and growth.
- ◆ *Repeal individual alternative minimum tax (AMT) and expand the small business AMT exemption*. The AMT not only increases businesses' tax obligations and strains their cash flow, but it also increases their compliance costs. For small businesses, studies have shown that funds saved from tax relief, such as repeal of the AMT, would be channeled back into the business, allowing those funds to be put to more efficient use expanding the business and creating jobs.

In the end, our goal must be to strengthen the public's confidence in the nation's economy and encourage the business community to continue normal business operations and long-term investments. I will be introducing legislation shortly that encompasses these issues. I would welcome the opportunity to work with you and your committee on these small business proposals as you craft legislation to provide economic stimulus that will be felt as quickly and widely as possible.

If you have any questions or would like additional information on these proposals, please do not hesitate to call me or have your staff contact Mark Warren, my Tax Counsel on the Small Business Committee, at 202/224-

Sincerely,



Christopher S. Bond
Ranking Member