

## **WHY THE ECONOMIC STIMULUS WILL HELP BUSINESS**

*By U.S. Senator Arlen Specter*

I supported the economic stimulus because, without it, I believed the nation faced the risk of a far deeper and longer recession. In the absence of government intervention, many economists were predicting a depression on the order of 1929.

The American Recovery and Reinvestment Act, while far from perfect, will create or save up to 3.5 million jobs. It contains \$288 billion in tax benefits to jump start the economy by encouraging businesses to invest and consumers to spend. The United States Chamber of Commerce supports the bill. So does the National Association of Manufacturers.

The bill singles out small businesses and middle class taxpayers as catalysts in the recovery effort. In one far-reaching provision, it eliminates the threat of the alternative minimum tax for 26 million middle class taxpayers by indexing the AMT exemption amount for inflation. The move will save individuals and small business owners from a pending \$70 billion tax increase in 2009.

The Making Work Pay tax credit will put up \$400 (\$800 for couples) into the pockets of 95 percent of American workers. According to the White House, nearly five million Pennsylvanians will be eligible.

This bill has broad goals that will be measurable and visible. It will invest extraordinary amounts of money in the nation's crumbling infrastructure and, in the words of one columnist, "rebuild America in a way that creates a world-class platform for a sustainable 21st century economy."

Unlike the New Deal's National Industrial Recovery Act (NIRA) with which it has been compared, this legislation does not come with a maze of Washington-designed rules and regulations. Within broadly defined parameters, it leaves it up to states and localities to decide how the money should be spent. Governor Rendell has said many infrastructure jobs in Pennsylvania will be ready to begin in six months.

To guard against waste and inefficiency, the bill contains strong oversight provisions. In all, it sets aside \$206 million for the inspectors general of the 22 government agencies that will spend the money. President Obama's naming of government watchdog Earl Devaney, Inspector General of the Interior Department, as chairman of the new Recovery Act Transparency and Accountability Board, further reinforces the commitment to careful stewardship. The President himself has repeatedly stated that the money will be spent wisely and as intended or not at all.

What are some of the things this legislation will do for business?

It will make it easier for businesses to invest and create jobs by allowing an immediate 50 percent bonus depreciation on new capital assets purchased in 2009 and by continuing the increased allowance for small business expensing at \$250,000. To take account of individual circumstances, the legislation grants businesses in a loss position the option to accelerate AMT and R&D credits in lieu of bonus depreciation.

The bill extends the net operating loss carry-back period from two to five years for small firms; delays a burdensome 3 percent withholding tax on payments to businesses that sell goods or services to the government; increases the small business capital gains exclusion to 75 percent; and reduces the 2009 tax liability for individuals with adjusted gross incomes of up to \$500,000 when more than 50 percent of that income is derived from a small business. Finally, the bill would help businesses strengthen their balance sheets by deferring for five years phantom tax liabilities resulting from restructured debts in 2009 and 2010. Separately, \$730 million is provided for the Small Business Administration to expand lending opportunities for small firms.

The bill takes a forward look at the workforce of the future by providing \$3.9 billion to train dislocated workers and prepare workers for careers in high growth and emerging industries.

I believe that this bill, while not perfect, is a necessary step towards reigniting growth and putting America back on its feet.