



Conner, Hubbard & Company, LLC
Certified Public Accountants



Defense Against The IRS, Tax Planning, Pension Planning, Business Planning

Orange Park, Florida
904.278.1040

Nashville, Georgia
229.686.9419

Website: www.ConnerHubbard.com

E-mail: Firm@ConnerHubbard.com

October 1, 2009 **Volume 19, Number 5**

SBA America’s Recovery Capital Loan Program

Overview

If your small business is stressed meeting expenses during these economic times, the U.S. Small Business Administration has a new loan program that might be useful to you.

SBA’s America’s Recovery Capital (ARC) Loan Program can provide up to \$35,000 in short-term relief for viable small businesses facing immediate financial hardship to help ride out the current uncertain economic times and return to profitability. Each small business is limited to one ARC loan. ARC loans will be offered by some SBA lenders for as long as funding is available or until September 30, 2010, whichever comes first.

ARC loans can be used to make payments of principal and interest, in full or in part, on one or more existing loans for up to six months. ARC loans provide an immediate infusion of capital to small businesses to assist with making payments of principal and interest on existing debt. These loans allow borrowers to redirect cash flow from making loan payments to investing in their businesses, to help sustain the business and retain jobs.

Why would you want to secure an ARC loan besides the financial relief?

- ARC loans are interest free to the borrower. The SBA pays the bank prime rate plus 2%.
- ARC loans are 100% guaranteed by the SBA to the lender.

- ARC loan proceeds are disbursed over a six month period and repayment of the loan principal is deferred for 12 months after the last disbursement. Thus, repayment does not even begin until 18 months after the loan starts.
- Repayment of the loan is over five years, interest free.
- There is not a net worth test.

The best candidates for ARC loans are small businesses that in the past were profitable but are currently struggling, yet have been making loan payments or are just beginning to miss loan payments due to financial hardship.

ARC Loan Eligibility

ARC loans are available to viable, for-profit small businesses in the U.S. that are experiencing immediate financial hardship.

Your small business must be an established business, have financial statements demonstrating it was profitable in one of the past two years, and be able to project sufficient cash flow to meet current and future loan payments over a two-year period from loan approval. If your business does not meet these criteria, you can discuss your eligibility with your lender. ARC loans are not designed for start-up businesses.

Examples of qualifying loans may include credit card obligations for your business, capital leases, notes payable to vendors/suppliers, Development Company Loan Program (504) first lien loans, other loans to small businesses made without an SBA guaranty, and

loans made by or with an SBA guaranty on or after February 17, 2009.

ARC loans are designed to help businesses experiencing immediate financial hardship for reasons such as:

- Loss/reduction of customer base;
- Increase in cost of doing business;
- Loss/reduction of working capital and/or loss/reduction of short-term credit facilities;
- Inability to restructure existing debts due to credit restrictions;
- Loss/reduction of employees (intellectual capital); and,
- Loss/reduction of major suppliers (major suppliers out of business).

Application for the loan is made with an SBA program bank on SBA Form 2315. Most large banks are SBA participant banks. Such banks would include Regions Bank, Bank of America, and Wachovia (also known as Wells Fargo).

Income and Expense Planning for 2009 and 2010

President Obama’s budget plan seems very clear. Income tax increases are on the way. Begin planning for 2009 and 2010 now. Taxes on long term capital gain are scheduled to increase dramatically after 2010 without any action at all on the part of Congress or the President. Not only will the long term capital gain tax rate increase, but such gains will be subject to alternative minimum tax computations. The end result is that long term capital gains could be subject to a tax rate as high as 26%.

Income tax rates on other types of income are also expected to increase in 2011 as well:

- A. The tax rate will increase from 36% to 39.6%.
- B. Continued phase-out of personal exemptions and itemized deductions.
- C. Additional limits on itemized deductions for taxpayers in the 28% bracket.
- D. Possible taxation of employer provided insurance.
- E. Increase of business tax rates.

Fraud Alert: Beware of Fake IRS Emails

- *The IRS “does not initiate taxpayer communications” through email.*
- *The IRS “does not request detailed personal information” via email.*
- *The IRS doesn’t send email asking you for your PIN numbers, passwords or “similar access information” for credit cards, banks or other financial accounts.*
- *Do not reply to any such emails claiming to be from the IRS or directing you to any IRS website.*

This Newsletter as well as previous Newsletters can be found at www.ConnerHubbard.com.

Referrals are greatly appreciated.



**Steven W. Conner, C.P.A. Kim K. Hubbard, C.P.A.
Randall J. “Jay” Wiley, C.P.A.**
