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## United States Senate

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

PATRICIA R. FORBES, MAJORITY STAFF DIRECTOR AND CHIEF COUNSEL  
EMILIA DISANTO, REPUBLICAN STAFF DIRECTOR

March 20, 2002

Dear Colleague,

Yesterday, President Bush announced his support for a number of tax provisions designed to help the nation's small businesses. I am pleased to see that the President has begun to recognize the importance of providing some tax relief and simplification to the lifeblood of the nation's economy. As the Chairman of the Senate Committee on Small Business and Entrepreneurship, I believe that we have an obligation to do more for small businesses – and the stimulus package recently signed into law fell short in this regard.

Last November 13, I introduced “The Affordable Small Business Stimulus Act of 2001” after it became apparent that any stimulus agreement was going to contain limited relief for small business. I call my bill an “affordable” stimulus package for small business because it is very targeted in the policies that it includes. As a result, it will spend our limited resources wisely, given that deficits have returned and we are at war against terrorism. Moreover, the bill will help address the tax complexity that many small businesses face because it includes the Single Point Tax Filing Act that has passed the Senate on two previous occasions.

Let me briefly explain the contents of the bill.

First, the bill increases the expensing limitation for small businesses to \$35,000, and it increases the phase-out level, above which expensing is not allowed, to \$350,000. These increases would be permanent – and both the \$35,000 and \$350,000 limits would be increased annually for inflation.

Second, my bill modifies and expands a provision that was signed into law in 1993 regarding new equity investments in small businesses' stock. Under my bill, new investments in companies with capitalization of up to \$100 million will have a 75 percent capital gains exclusion if the investments are held at least three years. The exclusion will be 100 percent if the business is involved in “critical technologies,” as defined by the Commerce Department, or in technologies related to transportation security, personal identification, anti-terrorism, pollution minimization, remediation, or waste management. The 100-percent exclusion would also be allowed for investments in specialized small business investment companies, or SSBICs, which are private venture capital companies licensed by the SBA whose investments are made solely in disadvantaged small businesses. In my view, the capital gains provision passed in 1993 was too narrow, and I hope that this new, expanded capital gains treatment will help prompt new investments in small and entrepreneurial businesses.

Third, my bill recognizes that the current depreciation schedules for high-tech equipment and

software are out of date, given how quickly such items become obsolete in our fast-changing economy. My bill would reduce the recovery period for computers or peripheral equipment from five years to three, and for software from three years to two.

Fourth, my bill would make the health insurance expenses of the self-employed fully tax deductible. Under current law, these expenses are not completely deductible until 2003.

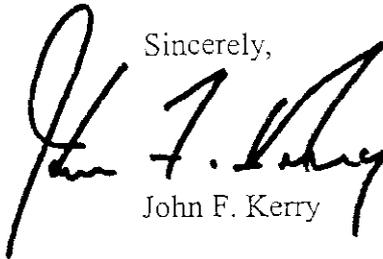
Fifth, to simplify tax filing, my bill includes the Single Point Tax Filing Act. This section would simplify the tax filing process for employers by allowing the Internal Revenue Service and State agencies to combine, on one form, both State and Federal employment tax returns. This provision has been passed by the Senate twice before, but it has not yet become law.

Sixth, my bill would extend the existing income averaging provisions to cover fishing as well as farming. In other words, the choice to average income from a farming trade or business under present law would be extended to cover income from the trade or business of fishing as well. This is an important change that was recently recommended by the National Taxpayer Advocate.

Finally, my bill would modify the tax treatment of investments in debenture small business investment companies, or SBICs, so they are less likely to create unrelated business taxable income (UBTI) liability. In so doing, the bill would encourage greater investment in SBICs, which provide critically needed venture capital to emerging small businesses. This is an inexpensive change that I know has broad bipartisan support.

I believe that "The Affordable Small Business Stimulus Act" will provide a much-needed stimulus to small business in a responsible way. If you or your staff has any questions about the bill, or you would like to cosponsor, please contact Jeff Hamond of my staff at 4-5175.

Sincerely,

A handwritten signature in black ink, appearing to read "John F. Kerry". The signature is fluid and cursive, with the first name "John" being particularly prominent and stylized.

John F. Kerry