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Childers Proposes Legislation to Strengthen North Mississippi Economy

July 16, 2008

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"I introduced the Invest in Small Business Act of 2008 because small businesses make up one of the most important parts of our economy and communities in North Mississippi," said Congressman Childers. "I'm a small businessman myself and I understand the commitment it takes to build a successful business on tight budgets and limited resources. By encouraging individuals and corporations to invest in small businesses, we can help strengthen the economy in North Mississippi and create jobs here at home.

"This legislation is especially important for communities that are working to rebuild after Hurricane Katrina and are counting on small businesses to create jobs and help their communities rebound. I'll be working hard to pass the Invest in Small Business Act, and continue to do everything I can to create jobs in North Mississippi."

The National Venture Capital Association (NVCA) has put their support behind Congressman Childers' legislation. "We believe the legislation introduced today by Congressman Childers appropriately recognizes the critical role that small, emerging growth companies play in our economy," said the NVCA. "There is no better time than the present - when our economy is extremely challenged to the point that venture backed companies are actively refraining from entering the public markets - to remove long standing obstacles in Section 1202 of the Internal Revenue Code that impede access to capital. The Qualified Small Business Stock rules should be interpreted as they were originally intended so that venture investment in the growth of promising, innovative and job-creating companies is encouraged. This bill goes a long way towards getting us back on track."

The Invest in Small Business Act would reform Section 1202 of the tax code. Section 1202 regulates so-called "qualified small business stock," a provision that affects many small business owners. Critics say that the current law often exposes small business owners to disproportionately high taxes when selling ownership interests in their small businesses.

The Childers bill would help encourage investment in small businesses by eliminating the most burdensome tax provisions. For instance, it completely eliminates the capital gains tax on the sale of qualified small interest stock, and it broadens the Section 1202 criteria so that more businesses qualify for these tax benefits. Under current law, individual investors are allowed to exclude from taxation only 50 percent of the profits they make on the sale of small business stock. The new legislation calls for the exclusion of 100 percent of these profits, and also decreases the amount of time an investor must hold stock to qualify for exclusion from five years to three years.

Small businesses issuing stock must be worth \$50 million or less in order to qualify for current tax benefits. This new legislation doubles that amount to \$100 million. Additionally, only individual taxpayers can benefit from the current tax provision. The Invest in Small Business Act allows corporations to benefit, as well.

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