

RAHALL

Weekly Report

"HELP FOR SMALL BUSINESSES"

by Congressman Nick Rahall

More than 25,000 small businesses will fall into bankruptcy by the time all the casualties from 1982 are totalled. That figure represents a 50 percent rise in small business bankruptcies in a one-year period.

Unknown thousands of businesses had to postpone expansion plans, while thousands and thousands of planned business openings were cancelled. Jobs which would have been created never were.

These things occurred because small business continues to suffer through problems associated with a lack of capital. Small business in particular needs an alternative means by which to obtain new capital.

With this in mind, I have joined in an effort to introduce legislation to create an innovative new capital tool for small business, called the Small Business Participating Debenture. It is a new type of security, a financial instrument that carries a nominal rate of interest and pays a percentage of profits to the investor. For the borrower, all payments would be tax deductible. For the lender, regular income taxes would be paid on interest, and lower capital gains tax would be paid on the profits payment. Specific terms of the loan would be set between the borrower and lender.

With this legislation, we have a chance to do something to help small businesses escape the dilemma of high interest rates and the consequential lack of access to capital.

Small Business organizations in 33 states, including West Virginia, have issued endorsements of this measure, and it is indeed an idea Congress should approve.