Republicans block small business lending bill

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President Barack Obama's election-year jobs agenda suffered a new setback Thursday when Senate Republicans blocked a bill creating a $30 billion government fund to help open up lending for credit-starved small businesses.

The fund would be available to community banks with less than $10 billion in assets to help them increase lending to small businesses. The bill would combine the fund with about $12 billion in tax breaks aimed at small businesses.

Democrats say banks should be able to use the lending fund to leverage up to $300 billion in loans, helping to loosen tight credit markets. Some Republicans, however, likened it to the unpopular bailout of the financial industry.

Democrats had wanted to pass the bill before Congress leaves town for summer vacation, but that won't happen with the House scheduled to adjourn Friday. The Senate is in session for another week, but Senate Majority Leader Harry Reid said there would be no more votes until Monday.

Congressional Democrats started the year with ambitious plans to pass a series of bills designed to create jobs, but they have little to show for it just a few months before midterm elections that will determine whether Democrats keep their majorities in the House and Senate.

Congress has extended unemployment benefits for people who have been out of work for long stretches and passed a measure that gives tax breaks to businesses that hire unemployed workers. But many other initiatives stalled, in part because of concerns they would add to the growing national debt.

Obama lobbied for the small business lending bill during a trip Wednesday to Edison, N.J. But Senate Democrats fell short of the necessary 60 votes Thursday to end a Republican filibuster.

The vote was 58 to 42, with all 41 Republicans voting to continue the filibuster. Reid, D-Nev., also voted to continue the filibuster, but only as a procedural step that allows him to call up the bill again.

Much of the bill had bipartisan support, but Senate Republican leader Mitch McConnell of Kentucky said Democrats were blocking GOP amendments. Reid said Republican demands kept changing.

"It takes a lot of effort to make a partisan issue out of a bill that should have broad bipartisan support," McConnell said. "But our friends on the other side have managed to pull it off. They've outdone themselves."

Reid said he offered to hold votes on some Republican amendments, only to see the list of GOP demands grow.

"What we are simply trying to do is pass a bipartisan bill that will help small business owners create jobs," Reid said. "We went to great lengths to address what Republicans claimed were their concerns."

The small business tax cuts in the bill include breaks for restaurant owners and retailers who remodel their stores or build new ones. Other businesses could more quickly recover the costs of capital improvements through depreciation. Long-term investors in some small businesses would be exempt from paying capital gains taxes.

In a last-ditch effort to save the bill, McConnell reduced the number of amendments he wanted to offer. GOP amendments included additional business tax breaks for research and development and the production of biodiesel fuel.

One Republican amendment would repeal a new tax reporting requirement for businesses that was included in the massive health care overhaul enacted last spring.

Democrats, meanwhile, agreed to cut about $1.5 billion in disaster relief for farmers who lost crops in 2009, a measure sponsored by Sen. Blanche Lincoln, D-Ark.

Much of the bill would be paid for by allowing taxpayers to convert 401(k) and government retirement accounts into Roth accounts, in which they pay taxes up front on the money they contribute, enabling them to withdraw it tax-free after they retire. Taxpayers who convert accounts this year would pay the taxes in 2011 and 2012, generating an estimated $5.1 billion.

Immediately after pulling the small business lending bill, Reid moved to revive legislation providing $26 billion to state governments to help cover Medicaid expenses and avoid teacher layoffs. The bill would be paid for with tax increases on international corporations, cuts in food stamp benefits and other spending cuts.

The proposals have already fallen prey to Republican filibusters in the past. Reid scheduled a test vote on the measure for Monday, but it won't advance unless at least one Republican senator supports it.

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