Revenues would fund direct lending program for small businesses

Rep. Peter Welch on Tuesday introduced legislation to crack down on excessive Wall Street bonuses and help small businesses obtain the credit they need to survive and to create jobs. Welch unveiled the Wall Street Bonus Tax Act at a press conference Tuesday morning at Burlington International Airport as he prepared to return to Washington for the 2010 legislative year.

Welch's bill would tax bonuses at firms that have received assistance through the Troubled Asset Relief Program at a rate of 50 percent for all bonus compensation in excess of $50,000, both cash and stock awards. Revenues generated through the tax would fund a new direct lending program administered by the Small Business Administration (SBA).

"As most Americans struggle to endure a long and wrenching recession, the same Wall Street bankers who came to the American taxpayer with hat in hand are now preparing to pocket record-breaking bonuses," Welch said. "Financial firms that received taxpayer assistance must remember that they owe their return to profitability to hardworking Americans."

Wall Street banks are expected later this week to announce bonus packages for the year. According to the New York Times, five of the biggest banks to receive federal assistance last

year – Citigroup, Bank of America, Goldman Sachs, JPMorgan Chase and Morgan Stanley – have collectively set aside $90 billion for compensation. Goldman is expected to pay employees an average of $595,000, while JPMorgan is expected to pay an average of $463,000.

Welch's bill follows similar actions taken by Great Britain and France to tax excessive bonuses. A 50 percent tax on bonuses above 25,000 pounds in the United Kingdom is expected to raise more than 2 billion pounds in revenue – roughly $3.2 billion.

Revenue generated by Welch's bill would fund a temporary, direct small business lending program modeled after the SBA's 7(a) loan program. It would offer low-interest, government loans to otherwise healthy businesses that are having trouble obtaining the credit they need for operating expenses and expansion.

Welch's SBA direct lending program would help compensate for a distinct drop in lending to small businesses by TARP recipient firms. According to CNN, the 22 banks receiving the most in Treasury assistance have scaled back small business lending by $11.6 billion since April last year.