

Financial Commentary

MARCH 3, 2010

Provided By:

Glaze Capital Management, Inc.
4962 El Camino Real, Suite 225
Los Altos, CA 94022
www.glazecapital.com

650-934-0920
CA Insurance License #CA



Securities offered through First Allied Securities, Inc., A Registered Broker Dealer,
Member FINRA/SIPC. An Advanced Equities Company.

All third party materials are the responsibility of their respective authors, creators, and/or owners. First Allied Securities, Inc. is not responsible for third party materials, and the information reflects the opinion of its authors, creators, and/or owners at the time of its issuance, which opinions and information are subject to change at any time without notice and without obligation of notification.

These materials were obtained from sources believed to be reliable and presented in good faith, nevertheless, First Allied Securities, Inc. has not independently verified the information contained therein, and does not guarantee its accuracy or completeness.

The information has no regard to the specific investment objectives, financial situation, or particular needs of any specific recipient, and is intended for informational purposes only and does not constitute a recommendation, or an offer, to buy or sell any securities or related financial instruments, nor is it intended to provide tax, legal or investment advice. We recommend that you procure financial and/or tax advice as to the implications (including tax) of investing in any of the companies mentioned.

At any time First Allied Securities, Inc. and its affiliates (or employees thereof) may have a long or short position, or deal as principal or agent, in relevant securities or provide investment banking services (such as acting as placement agent and/or underwriter), advisory services or other services to the issuer of relevant securities or to a company connected with an issuer, and thus we face an inevitable conflict of interest.

THE JOBS BILL

How effectively could it address America's unemployment rate?

How about a tax break for companies that hire? A new jobs bill introduced by Sen. Majority Leader Harry Reid (D-NV) proposes major tax incentives for hiring businesses. If the bill becomes law, will these incentives make a dent in the unemployment rate? Or will they matter little? Not everyone is optimistic.

On February 24, the \$15 billion job creation measure passed 70-28 in the Senate and headed for the House of Representatives.¹ Just what is in this Senate bill?

The big perk: the “Hire Now” tax cut. If the bill becomes law, a business that hires someone who has worked less than 40 hours in the previous 60 days could skip paying its share of the new hire's Social Security tax for the rest of 2010. That's 6.25% of the employee's salary. Companies could realize a payroll tax savings of up to \$6,622 per new hire. (In case you are wondering, the federal government would reimburse the SSA for the lost taxes.)^{2,3,4}

If the new employee lasted 52 weeks on the job, the business would get a \$1,000 tax credit on its 2011 federal return.³

The other perks. The Section 179 deduction limit for small business capital purchases was raised to \$250,000 for 2009, and this bill would keep the limit at \$250,000 for the 2010 tax year. The “Build America” bond program would be extended and expanded - that's the program created to help state and local governments raise funds for infrastructure projects. The current federal subsidy for state highway spending would also be extended.^{1,2}

The fine print. Any private-sector employer, any non-profit organization and any public-sector college or university would qualify for the “Hire Now” tax break. While a business that owes no tax could not get the \$1,000 new-hire tax credit for 2011, it would be allowed to carry that credit forward to the future. There would be no limit on the amount of new employees a business could hire en route to claiming the credit.⁸

Is this really going to make a difference? Well, Sen. Reid believes that the bill could create and save as many as 1 million jobs. Analysts feel that may be stretching it. Economic Policy Institute economist Heidi Shierholz thinks the measure could result in “tens of thousands of jobs, but it is absolutely nowhere near big enough” to reduce the unemployment rate.³

Under the bill, a “new” hire does not have to be an additional employee. It can also be a worker replacing someone who quit or was fired.³ So service sector businesses with high turnover might get some major tax breaks. There might be a lot of hiring among such companies, but not a lot of net job creation.

Is another bill just ahead? According to *The Atlantic*, Sen. Reid plans to introduce a second jobs bill with much greater scope. This proposed (and almost certainly more expensive) legislation would extend jobless benefits and COBRA for millions, as well as numerous tax credits and programs scheduled to sunset. State Medicaid funding would be extended and Medicare physician payments would be updated through this bill as well. While *The Atlantic* says it has copies of the bill, Sen. Reid's office has not yet confirmed its contents. The Senator has mentioned rolling out multiple bills in the next few weeks to address the country's unemployment problem.⁵

These are the views of Peter Montoya Inc., not the named Representative nor Broker/Dealer, and should not be construed as investment advice. Neither the named Representative nor Broker/Dealer gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The publisher is not engaged in rendering legal, accounting or other professional services. If other expert assistance is needed, the reader is advised to engage the services of a competent professional. Please consult your Financial Advisor for further information.

Citations.

¹ marketwatch.com/story/senate-sends-15-billion-jobs-bill-to-house-2010-02-24 [2/24/10]

⁴ boston.com/business/personalfinance/managingyourmoney/archives/2010/02/tax_incentives.html [2/24/10]

² sfgate.com/cgi-bin/article.cgi?f=/c/a/2010/02/24/BU3H1C6M8V.DTL [2/24/10]

⁴ online.wsj.com/article/SB20001424052748704240004575085410014175900.html [2/24/10]

⁵ politics.theatlantic.com/2010/02/the_next_jobs_bill.php [10/25/10]

Approval #21123