

September 7, 2021

The Honorable Chuck Schumer
Majority Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230, The Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
H-204, The Capitol
Washington, D.C. 205

Re: Supporting small businesses through investments in human infrastructure

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker Pelosi, and Minority Leader McCarthy:

As a leading representative of America's 30 million small businesses, we offer our strong support for the priorities outlined in the budget resolution, which are essential to supporting small businesses, their communities and our long-term economy. We also offer the following recommendations to congressional committees to strengthen provisions that would ensure small businesses benefit from the human infrastructure package.

These measures are critical because small businesses need more support to ensure a successful long-term recovery from the pandemic, and to promote a more resilient workforce and economy. Small Business Majority's [recent research](#) found nearly 1 in 5 businesses (19%) say their business conditions are on the decline compared to the previous month, while 28% say they are neither improving nor declining. Additionally, 27% of businesses reported they may not survive past the next six months without additional funding or market changes. These challenges are particularly acute for businesses in under-represented communities that have struggled to access equitable relief and resources during the pandemic.

The policies outlined below will bolster small businesses on their road to recovery and provide a boost to entrepreneurs and employees who need more support to fully participate in the workforce, particularly those who struggle to access affordable healthcare, child care, paid leave, retirement and other benefits. Additionally, forward-thinking policies to expand access to capital and resources and level the playing field through tax reforms will ensure a more competitive environment for our nation's job creators and innovators.

Advancing healthcare affordability

Access to affordable, quality healthcare significantly impacts small businesses because they and their employees have historically comprised a disproportionate share of the working uninsured. The Affordable Care Act (ACA) was a pivotal step forward, but more must be done to ensure small businesses and their employees can access the affordable, quality coverage they need. [Our polling](#) found 34% of small businesses have struggled to obtain health insurance for themselves or their employees during the pandemic. We support the following provisions and encourage Congress to include these recommendations that would help address small businesses' healthcare challenges:

- **Extend the American Rescue Plan's temporary premium reductions:** We strongly supported the American Rescue Plan's short-term provision to ensure ACA enrollees pay no more than 8.5% of their income on health insurance premiums and to expand the subsidies available for

people earning more than 400% of the Federal Poverty Level. Although small businesses will benefit from these current reductions to premiums, it is critical that these provisions are extended. Indeed, more than half of all ACA marketplace enrollees are small business owners, employees, and sole proprietors. Extending these reductions will make health coverage more accessible in the long-run to small business owners and their employees who are struggling to afford coverage.

- **Expand Medicaid coverage to all states:** Millions of individuals, including self-employed small businesses, do not have access to Medicaid coverage. States that deny expansion of Medicaid do a disservice to their small business ecosystem, particularly those who also cannot access coverage on the ACA marketplace. To ensure all individuals are covered, Congress should pass the Medicaid Saves Lives Act or allow individuals, no matter where they reside, to purchase coverage through the ACA marketplace.
- **Lower prescription drug prices:** It is critical that lowering prescription drug prices is included in the human infrastructure package, particularly as these costs are [hurting small business owners' bottom lines](#). Policy solutions should include allowing Medicare to negotiate prices directly with pharmaceutical companies.
- **Expand Medicare coverage:** Expanding Medicare coverage to include individuals age 55 and older is an important step towards closing the gap in access to care, which our research found is strongly [supported by small business owners](#).

Paid family and medical leave

The way Americans work and start a business is changing, which has been especially true during the COVID-19 pandemic. The health crisis has also underscored why today's entrepreneurs and small business employees need a modernized and robust benefits infrastructure that promotes wealth creation, financial security and quality jobs for those who do not work for large organizations.

The American Families Plan proposed a \$225 billion investment to create a national comprehensive paid family and medical leave program. This must be included in the human infrastructure package as it would greatly benefit small businesses. Small businesses want to provide robust benefits like paid family leave to their employees, but they can't afford to do so on their own, putting small businesses on an unequal playing field with larger businesses that have more resources to attract and retain a talented workforce. Additionally, [research](#) from Small Business Majority found 73% of small business owners and operators feel it's important to establish a national paid medical leave program, and 67% support access to paid parental leave.

Child care

Access to quality, affordable child care impacts the small business ecosystem in a multitude of ways. For one, the lack of access to affordable childcare has become increasingly more difficult and a significant burden to working parents. As such, it has impeded the ability to retain a skilled workforce for many small business owners. What's more, most child care providers are in fact small business owners, largely comprised of women and people of color, and they are often underpaid and overworked.

The American Families Plan proposed investing \$225 billion to make care affordable and increase the wages of child care staff. These provisions will better support American families and small business providers, particularly women and people of color. Recent [polling](#) of our network shows that small businesses strongly support bold child care initiatives. For example, 68% support making the Child and Dependent Care Tax Credit expansion permanent.

Increase small business funding to expand access to capital

The current reconciliation instructions indicate that the U.S. Senate Committee on Small Business & Entrepreneurship will only receive \$25 billion to fund legislation focused on investments for access to credit and markets. This allocation is too low to adequately address the [dire circumstances](#) many small businesses still face. To appropriately support small businesses, we offer the following recommendations:

- **SBA Direct Lending:** Expand SBA’s lending capability such as a direct lending program to increase access to traditionally underserved communities and small government contracts that need working capital.
- **Increase loan guarantees:** We recommend quadrupling SBA lending guarantees, specifically raising the maximum guaranteed annual loan amount from \$25 billion to \$100 billion. We also recommend increasing the loan guarantee percentages from 85% to 90% for loans up to \$150,000 and from 75% to 85% for loans between \$150,000 and \$700,000.
- **Continued support for CDFIs:** Maintain the recent expansion of funding for the CDFI Fund at \$3 billion for long-term impact and success. This would not only allow CDFIs to continue to serve women and minority-owned businesses, but expand their reach and services.
- **Increase funding for technical assistance programs:** Small businesses need guidance and support on their road to recovery. Increased funding for business assistance providers and trusted community-based organizations, such as Small Business Development Centers, Women’s Business Centers, the Minority Business Development Agency, Procurement Technical Assistance Centers, and local economic development corporations, would help expand their reach and provide free and low-cost training for business owners and aspiring entrepreneurs. These providers offer essential resources like financial literacy and wellness and assistance in expanding procurement opportunities. This is particularly important for women and minority-owned businesses that often receive unequal access to funding and resources.
- **Secure funding for emergency small business aid:** Small businesses need a healthy public infrastructure, which is why [we applauded](#) the Senate’s passage of the bipartisan infrastructure package. However, we are disappointed that the package will be paid for in part by pulling billions of much-needed dollars from the U.S. Small Business Administration’s (SBA) Economic Injury Disaster Loan (EIDL) grant and loan programs. We urge you to protect these funds to support those many small businesses that continue to struggle to keep their doors open. There is still a substantial pool of money left in the pot of emergency relief funds, now inaccessible to hard-hit small businesses waiting and hoping for this already allocated assistance. In fact, [according to our survey](#), of those businesses who applied for the EIDL advance, 28% are awaiting a decision from the SBA about their advance, and 23% were denied.
- **Boost funding for SBA’s operations and expenses:** In addition to stripping EIDL funding, the bipartisan infrastructure package rescinds dollars for SBA’s salaries and expenses, which is the exact opposite of what the Agency (and small businesses who rely on the Agency’s efficiency for capital) needs right now. Small businesses continue to seek guidance on accessing capital for other SBA programs, which requires staff and customer service. It’s vital that money is appropriated to the SBA so that they can administer existing small business programs efficiently.
- **Secure funding for the Minority Business Development Agency (MBDA):** With the bipartisan infrastructure bill aiming to codify MBDA, we encourage Congress to appropriate dollars that would allow MBDA to efficiently carry out its duties.
- **Approve emergency funding for the Restaurant Revitalization Fund (RRF):** More than [180,000 RRF applications \(or two-thirds of all applicants\)](#) remain unfunded. With small businesses still struggling with the consequences of the pandemic, and the ongoing impacts of new coronavirus variants, Congress must act immediately to approve emergency funding for RRF.

Institute a federal auto-IRA program

The pandemic has underscored why today’s entrepreneurs and small business employees need a modernized and robust benefits infrastructure that promotes wealth creation and financial security. A key component of this benefits infrastructure is a federal auto-IRA program, similar to successful “Secure Choice” programs that have been implemented in many states. We offer the following recommendations for such a program:

- **Ensure small businesses can easily participate:** The program must address the biggest barriers to small businesses participation in retirement programs: cost, administrative complexity and fiduciary liability. Programs that address all three are better suited to support moderate to low-income individuals. Simply requiring business owners to provide an auto-IRA option will not be successful without providing business owners an easy way to participate.
- **Outreach:** It's essential to include funding for education and outreach, particularly to rural/remote businesses that may lack insights into the value of these programs.

Promote commonsense and comprehensive immigration policies

We must enact meaningful immigration policies that recognize the importance of immigrants to entrepreneurship and address employers' need for a more robust workforce. This includes finding a long-term solution for recipients of Deferred Action for Child Arrivals (DACA), understanding that young immigrants are the lifeblood of entrepreneurship. We must similarly find a long-term solution for recipients of Temporary Protected Status (TPS).

Tax reform

Our nation's tax system has unfairly benefited the wealthiest Americans at the expense of small business owners, their employees, and independent entrepreneurs. That's why Small Business Majority supports measures that guarantee the wealthy and big corporations pay their fair share. Forthcoming research from Small Business Majority shows that nearly 3 in 4 small business owners believe their business is harmed when big corporations use loopholes to avoid taxes. What's more, most small business owners feel the current tax code unfairly benefits large corporations over small businesses and that corporations and wealthy Americans should be required to pay their fair share of taxes. These measures are commonsense pay-fors for the budget reconciliation package that would better support small business owners.

- **Establish a 15% minimum tax on profits.** Establishing a 15% minimum tax on profits that the largest corporations report to their investors ("book income"), would stop firms from using manipulated "taxable income" to pay little or nothing in taxes. Nearly [7 in 10 \(69%\) of small businesses](#) support this idea.
- **Set a minimum tax rate of 21% on corporate offshore profits:** Small businesses have minimal amounts of offshore income, so current law unfairly benefits larger corporations rather than Main Street businesses. Two-thirds support setting a minimum tax rate of 21% on corporate offshore profits.
- **Raise the corporate tax rate to 28% from 21%:** Only 5% of small businesses are subject to corporate taxes. But, to mitigate the burden on the smallest of businesses that do pay the corporate rate, we propose the following graduated tax brackets:
 - First \$0-25,000: 0%
 - Next \$25,0001-75,000: 15%
 - Next \$75,001-150,000: 21%
 - Next \$150,001-300,000: 25%
 - Next \$300,001 and above: 28%.
- When [surveyed](#), a majority of small businesses supported the idea and just 8% said they are strongly opposed to the tax increase.
- **Include Senator Wyden's Small Business Tax Fairness Act.** Many tout the 2017 Tax Cut and Jobs Act as benefitting small businesses, specifically the ability to deduct 20% of pass-through business income, also known as Section 199A. However, based on 2019 data from the [Tax Policy Center](#), almost 73% of the total benefit flows to less than 5% (4.5%) of pass-through businesses.

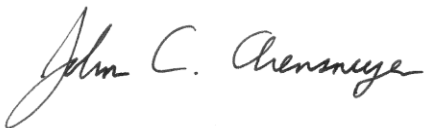
What's more, almost 60% (59%) of the total benefit flows to only 1.6% of pass-through businesses, with only 4% of the benefit going to the bottom two-thirds of businesses. The Small Business Tax Fairness Act would help address this by refocusing the 199A tax deduction to benefit the vast majority of small business owners that need it the most and it would eliminate burdensome complexity. It would also raise substantial dollars for other human infrastructure programs, refocus the Section 199A tax deduction to benefit true small businesses and eliminate burdensome complexity.

- **Increase the top rate for wealthy individuals.** Our [research](#) shows that the proposal to increase the top rate for wealthy individuals (those with more than \$628,300 per year in income) from 37% to 39.6% is supported by a strong majority of small businesses.

These findings support the need for tax reform such as expanded tax enforcement of high-income earners, raising taxes on multinational corporations, and removing tax provisions that incentivize outsourcing. It should also be noted that these tax provisions will have virtually no adverse impact on small businesses as these enterprises have an [average income of \\$73,000 per year](#).

In conjunction with the bipartisan infrastructure package, we call on the Congress to do everything in their power to pass these measures in the human infrastructure package to better support our nation's small businesses.

Sincerely,



John Arensmeyer, Founder and CEO

cc:

The Honorable Ron Wyden: Chair,
Senate Committee on Finance

The Honorable Richard Neal: Chair,
House Committee on Ways and Means

The Honorable Ben Cardin: Chair,
Senate Committee on Small Business & Entrepreneurship

The Honorable Nydia Velázquez: Chair,
House Committee on Small Business

The Honorable Patty Murray: Chair,
Senate Committee on Health, Education, Labor & Pensions

The Honorable Robert Scott: Chair,
House Committee on Education & Labor

The Honorable Frank Pallone: Chair,
House Committee on Energy & Commerce

The Honorable Jerrold Nadler: Chair,
House Committee on the Judiciary

The Honorable Dick Durbin: Chair,
Senate Committee on the Judiciary

The Honorable Mike Crapo: Ranking Member, Senate
Committee on Finance

The Honorable Kevin Brady: Ranking Member, House
Committee on Ways and Means

The Honorable Dr. Rand Paul: Ranking Member, Senate
Committee on Small Business & Entrepreneurship

The Honorable Blaine Luetkemeyer: Ranking Member,
House Committee on Small Business

The Honorable Richard Burr: Ranking Member, Senate
Committee on Health, Education, Labor & Pensions

The Honorable Virginia Foxx: Ranking Member, House
Committee on Education & Labor

The Honorable Cathy Rodgers: Ranking Member, House
Committee on Energy & Commerce

The Honorable Jim Jordan: Ranking Member, House
Committee on the Judiciary

The Honorable Chuck Grassley: Ranking Member, Senate
Committee on the Judiciary