The Agenda for America's Entrepreneurs of Color

The contributions of small business owners of color to our local and national economies cannot be understated. With nearly 8 million businesses owned by people of color, they generate $1.4 trillion in revenue and employ more than 7 million people.\(^1\) And between 2007 and 2017, businesses owned by people of color grew 10 times faster than the overall growth rate for U.S. small businesses during this same period.\(^2\)

However, entrepreneurs of color confront obstacles unique to their experiences that white business owners do not, particularly ongoing discrimination in accessing capital and accessing critical business support services and benefits like retirement and healthcare. These problems have been highlighted by the current movement for racial equality, having dramatically worsened during the COVID-19 pandemic as Black and Latino-owned businesses have faced the brunt of revenue loss and business closures.

The following recommendations aim to eliminate systemic racial barriers to small business ownership, bolster entrepreneurship and to build long-term financial sustainability, promoting a level playing field for minority-owned businesses and reinforcing the health of the communities that drive our economy.

Top three priorities for Congress to support entrepreneurs of color

- For those businesses who were shut out of federal programs, pass the SBA Lifeline Grant Program which would provide grants to small businesses with 50 or fewer employees that have suffered an economic loss of at least 30%, as proposed in the HEROES Act 2.0.

- Provide more funding and resources 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, to 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.

- Increase investments in federally funded programs to include credit-building programs and products that educate business owners on how to strengthen their credit.

Implement a small business roadmap to recovery during and after COVID-19 and the national push for racial equality

The COVID-19 pandemic and repeated economic injustices against people of color, especially against Black Americans, have shed more light on the major inequities that face minority-owned small businesses. Current federal assistance programs don’t properly consider the business owner of color experience, nor do they provide enough funding to support them. For instance, 95% of Black-owned businesses are sole proprietors, which limits their access to federal programs.\(^3\) Moreover, 41% of Black-owned businesses were closed during stay at home orders, compared to 17% of white-owned businesses.\(^4\) A recent survey illuminated these statistics, finding that 45% of Black- and Latino-owned businesses would have to close their doors by the end of the year or sooner, significantly undercutting their

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community’s economic health.\textsuperscript{5} With inequalities like these disproportionately affecting business owners of color, it’s clear why a movement toward racial economic equality is necessary. Immediate policy measures are required to level the playing field.

- Forgive all EIDL loans under $150,000 to provide parity with PPP loan forgiveness.
- Monitor and prepare to fix and improve the 2021 rollout of PPP and EIDL funds, particularly the set-asides for CDFIs and MDIs.
- Guaranteeing that existing borrowers have five years to pay back any unforgivable loans.;
- Ensure PPP funding is available to the justice impacted.
- Provide forbearance on all small business loans and credit card payments for at least six months.

**Bolster financial wellness measures and business resources**

Small business owners of color lack the social capital to guide them in developing their business, so they rely on community-based organizations and state and federal agencies to provide business assistance and education to help maintain and grow their businesses. They provide guidance on how to build and maintain good credit, navigate business regulations, apply for a loan and more. Since people of color have historically seen fewer investments in their communities than their white counterparts, expanding and funding the following measures are indispensable for business owners of color.

- Conduct regular reviews of state and local business licensing requirements and update outdated regulations since many immigrants and people of color start their businesses from their homes.
- Equip underserved community institutions with resources that encourage entrepreneurship. For example, Senator Cardin (D-MD) has authored the UPLIFT Act, which would provide resources to historically Black colleges and universities and minority-serving institutions to establish and expand incubators and accelerators for underserved entrepreneurs.
- Monitor the implementation of the new changes to the Community Reinvestment Act so that critical dollars are allocated equitably to historically disinvested communities.

**Expand access to responsible credit and capital**

Many small businesses and entrepreneurs of color lack traditional lending relationships that are essential to their business’s success. Traditional lenders can be inaccessible because of their complex requirements like high credit scores and loan guarantees. There’s also a pattern of discrimination that excludes people of color. For instance, while Black-owned businesses are more likely to apply for bank financing, less than half of those applications were fully funded.\textsuperscript{6} The following recommendations will help to offset and/or prevent those practices through protections against predatory lending, expansion of successful traditional lending programs and agency demographic reporting.

- Pass legislation extending the Truth in Lending Act’s disclosure requirements to small business loans or credit products, understanding that communities of color are often targeted by predatory lenders. Similarly, we recommend promoting responsible lending practices by lenders and brokers as set forth in the Small Business Borrowers’ Bill of Rights.\textsuperscript{7}
- Pass legislation that protects small business owners against predatory debt collectors, especially minority-owned businesses that are particularly vulnerable to abusive debt collection practices.


\textsuperscript{7} Small Business Borrowers’ Bill of Rights. http://www.borrowersbillofrights.org
• Maintain the recent expansion of funding for the CDFI Fund at $3 billion. CDFIs are fundamental in breaking down barriers to capital access for minority-owned small businesses.

• Reauthorize and fund a program similar to the State Small Business Credit Initiative (SSBCI) at $10 billion. Between 2010 and 2017 SSBCI facilitated the delivery of $9.5 billion in flexible, affordable debt and equity capital via the states to small businesses across the country.

• Establish and financially backstop new types of loan products that provide initial repayment moratoria, a subsequent period of no- or low-interest and responsible interest levels after that.

• Strengthen responsible sources of capital by expanding SBA loan programs such as the 7(a) Loan Guaranty Program, the 504 Loan Guaranty Program and the Microloan Program.

• Support measures that would require the SBA to collect demographic data from federal loan programs like PPP to ensure agencies and lenders are not discriminatory in their lending practices. This must also include allowing the Consumer Financial Protection Bureau (CFPB) to collect small business lending data as mandated under section 1071 of the Dodd-Frank Act.

• Establish policies that encourage venture capital investment and tax incentives for innovative products created by businesses owned by people of color.

• Make permanent the New Markets Tax Credit (NMTC), which has helped to attract more than $60 billion in private sector funding to community development financing intermediaries that provide loans to businesses in economically-distressed communities.

**Strengthen and expand the Affordable Care Act**

Access to affordable healthcare has historically been unequal in communities of color and for their small businesses, which correlates to local disparities. Small business owners rely on affordable care for themselves and their employees, but paying exorbitant healthcare costs impedes a business’s success. The Affordable Care Act provided greater access to healthcare and spurred entrepreneurship, but recent rollbacks to the law have put small business owners of color at greater risk when it comes to their own health, the health of their business and their employees. To ensure that they are operating in a healthy environment we recommend these policies that positively impact small business owners of color:

• Guarantee health protections for individuals with pre-existing conditions, including ensuring that Section 1332 “state innovation” waivers uphold ACA’s principles.

• Strengthen the current system of subsidies that has helped make healthcare more affordable for many entrepreneurs to build their businesses without fear that they might lose their healthcare.

• Close the coverage gap by continuing to expand Medicaid, a program that has provided coverage to 14 million more Americans under the ACA, including nearly two million small business employees who gained coverage under Medicaid expansion.

• Ensure access to reproductive healthcare and birth control, which our polling shows that women of color who own businesses strongly support as they launch and grow their businesses.®

• Block the extension of short-term, limited duration insurance plans, also known as junk plans. These plans are not required to cover essential health benefits and can come with hefty deductibles.

• Oppose efforts to implement association health plans (AHPs), which would encourage younger, healthier groups to purchase inadequate coverage, thus increasing costs for most of the small group market. Group plans may not cover preexisting conditions.

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® Small Business Majority, “Women small business owners say access to birth control is important to their success, support continued coverage,” October 2017, [https://smallbusinessmajority.org/our-research/healthcare/women-small-business-owners-say-access-birth-control-important-their-success-support-continued-coverage](https://smallbusinessmajority.org/our-research/healthcare/women-small-business-owners-say-access-birth-control-important-their-success-support-continued-coverage)
• Support increased investments in Federally Qualified Health Centers because they provide support for entrepreneurs and their families in underserved areas who can’t access affordable care.

**Support paid family and medical leave, retirement and additional benefits**

Retirement and other types of benefits are proven methods in creating wealth and long-term financial health, but small business owners of color struggle to access or invest in these. To encourage, educate and guarantee that small business owners of color can secure their financial future, we must invest in the following policies:

• Support federal and state efforts to establish publicly-administered retirement savings programs ("Secure Choice") programs to help more minority-owned small businesses who are less likely to have a retirement plan. We must also allow independent entrepreneurs the option to access Secure Choice programs, understanding many freelancers and self-employed individuals may be unable to access traditional retirement benefits.

• Pass the FAMILY Act to establish a national program that would provide partial wage replacement for small business employees and the self-employed to access parental leave or to handle serious health conditions for themselves and family members. A national program would ensure minority-owned businesses are on a level playing field with larger companies.
  o In the absence of a federal program, support continued legislative efforts in other states, such as Colorado and Connecticut, to establish paid family and medical leave insurance programs.

**Promote commonsense immigration policies and a skilled small business workforce**

Our country’s changing landscape provides us an opportunity to enact policies that would generate greater entrepreneurship and a readied workforce composed of people of color and immigrants. To do that, we must reassess exclusive policies that restrict our ability to strengthen and grow our workforce, like outdated immigration laws and regulations that disproportionately impact people of color.

• Implement policies at the national and state level that would help more working parents afford child care, understanding this is essential to retaining a skilled workforce.

• Pass a comprehensive immigration law guaranteeing eventual citizenship for those who contribute to our economic success, coupled with appropriate and reasonable employment verification provisions.

• Create a "Startup Visa" for foreign-born entrepreneurs who wish to start a business in the United States to facilitate greater inclusivity of people of color.

• Find a long-term solution for recipients of Deferred Action for Child Arrivals (DACA), understanding that young are the lifeblood of entrepreneurship. We must similarly find a long-term solution for recipients of Temporary Protected Status (TPS).

• Support expansion of the H-1B visa program to allow more visas for both skilled and low-skilled workers.

• Enact the “Heartland Visas” a program that would provide a pathway for skilled immigrants to enter the United States to live in economically depressed areas to find a job on a voluntary basis.⁹

• Fund programs and expand SBA programs to offer resources to encourage entrepreneurship from all populations, including justice impacted individuals.

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• Expand internship and mentoring programs to create career paths for youth, and to ensure access to skilled, entry-level workers for small businesses.

**Implement equitable tax policies**

Inequities in the tax code disproportionately impacts entrepreneurs of color. There are little tax incentives for smaller businesses of color, making it harder for them to compete with larger businesses that have the resources to take advantage of tax loopholes. We must enact fair tax policies appropriate for owners in their tax brackets, so they receive benefits to grow their business.

• Replace the 2017 tax bill’s pass-through component with a provision allowing small businesses to deduct their first $25,000 in business income, whether they file their tax returns as a pass-through entity or as a C-Corporation. This approach will provide income tax benefits to most small enterprises and businesses owned by people of color.

• Support tax credits for entrepreneurs of color that operate in industries that do not see enough tax incentives. To address this, Congress should support Senator Wyden’s (D-OR) PROGRESS Act, which provides tax credits to start-up businesses and a first employee tax credit up to $10,000 for individuals earning less than $100,000 (or $200,000 for joint filers), or similar bills.

• Identify and fix tax issues unique to micro-enterprises and freelancers, such as burdensome quarterly tax filings that could cost more than $1000 annually for freelance employees. Most small businesses of color have fewer than 10 employees.

• Support federal and state efforts to expand and ensure that entrepreneurs can benefit from the Earned Income Tax Credit (EITC) program such as including ITIN holders and the self-employed.

• Increase federal tax deductions for entrepreneurs in their first year of business, like increasing limits for deducting start-up and organizational expenses from the current $10,000 to $20,000.