

## The Agenda for America's Women Entrepreneurs

Women small business owners have increasingly become the drivers of new businesses and job creation over the past two decades. Between 2007 and 2018, women-owned businesses increased by 58%, employing 9.2 million people.<sup>1</sup> And about one-quarter of all women-owned firms were owned by women of color in 2016.<sup>2</sup> Clearly, we benefit from the success of women entrepreneurs who contribute to our economy and communities.

Despite their success and our reliance on that success, they continue to face day-to-day barriers like systemic and implicit bias, which make it more difficult to grow their businesses and bridge the equity gap compared to their white, male counterparts. A lack of access to capital, inequality in the tax code, unaffordable healthcare, and other policy inadequacies are severely undermining the potential for women entrepreneurs. These issues have only been exacerbated by the COVID-19 pandemic, which has highlighted and deepened these issues for women, particularly women of color. It is critical to enact the following policies because they break down barriers and directly support women entrepreneurs and small business owners.

### Top three priorities for Congress to support women entrepreneurs

- 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 centers that provide vital education and outreach to women business owners and aspiring entrepreneurs such as Women's Business Centers and Small Business Development Centers.
- Strengthen the current system of subsidies that has helped make healthcare more affordable for many entrepreneurs, a determining factor for many women who require access to preventative care that is affordable.

### Small business roadmap to recovery during and after COVID-19

The inequities women-owned businesses experience has only been exacerbated as a result of the COVID-19 pandemic. Women have always faced discrimination in securing small business funding, and now an estimated 90% of women and minority-owned small businesses have been shut out of federal emergency funding.<sup>3</sup> That is why a program that offers unrestricted grant assistance that is flexible and available to the smallest of businesses, along with other immediate policy changes and major structural changes to loan programs, will help women weather the pandemic's storm.

- 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.
- Guarantee that existing borrowers have five years to pay back any unforgivable loans.

<sup>1</sup> American Express, "Number of Women-Owned Businesses Increased Nearly 3,000% since 1972, According to New Research." August 2018, <https://about.americanexpress.com/press-release/research-insights/number-women-owned-businesses-increased-nearly-3000-1972-according>

<sup>2</sup> United States Census Bureau. "Number of Women-Owned Employer Firms Increases." August 2018. <https://www.census.gov/newsroom/press-releases/2018/employer-firms.html>

<sup>3</sup> CNBC, "Shut out of PPP loans, struggling with no child care: How Covid-19 is impacting women-owned small businesses." May 2020. <https://www.cnbc.com/2020/05/07/how-covid-19-is-impacting-women-owned-small-businesses.html>

- Ensure PPP funding is available the justice impacted.
- Provide forbearance on all small business loans and credit card payments for at least six months. This must include credit expenses on personal cards because women have more limited access to lines of credit than men do.
- Expansion of federal and state unemployment benefits, especially for sole-proprietors and the self-employed, which are mostly women.

## Expand access to responsible credit and capital

Access to credit is the lifeblood for any small business's success. Whether due to inaccessibility, sexism perpetuated by banks, or both, women lack financial assets and traditional banking relationships, which means they rely on other forms of credit that their white, male counterparts do not. And women of color face these barriers on a greater scale than white women. The following policies will help prevent predatory lending practices and ensure capital is deployed equitably to women entrepreneurs.

- Pass legislation extending Truth in Lending Act disclosure requirements to small business loans or credit products and promote responsible lending practices by lenders and brokers as set forth in the [Small Business Borrowers' Bill of Rights](#).<sup>4</sup>
- Pass legislation that protects small business owners against predatory debt collectors.
- 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.
- Establish policies that encourage women-focused venture capital investment for startup businesses to include rural cities and towns, instead of just metro areas, understanding that women receive only 3% of all venture capital.<sup>5</sup>
- Maintain the recent expansion of funding for the CDFI Fund at \$3 billion.
- Support innovations like equity crowdfunding, which women are more likely to utilize to launch their business, while ensuring safeguards that make sense for both small business owners and investors.

## Bolster financial wellness measures and business resources

Greater investments in business assistance providers is a necessity for women entrepreneurs because many of these providers offer programs and education that uniquely cater to women's needs in launching and growing a business.

- Promote the U.S. Small Business Administration (SBA) and other programs that foster peer-to-peer mentoring.
- Require at least 10% of federal procurement contracts go to women-owned businesses, with a minimum of 5%. The current goal of up to 5% is still too low and has not yet been met by the federal government.

<sup>4</sup> Small Business Borrowers' Bill of Rights. <http://www.borrowersbillofrights.org>

<sup>5</sup> Harvard Business Review, "How the VC Pitch Process is Failing Female Entrepreneurs." January 2020. <https://hbr.org/2020/01/how-the-vc-pitch-process-is-failing-female-entrepreneurs>

## Strengthen and expand the Affordable Care Act

The Affordable Care Act (ACA) finally provided women entrepreneurs and sole-proprietors the opportunity for equal access to quality and affordable coverage, including essential health benefits. However, recent rollbacks to the ACA have endangered women's health coverage, as well as the success of their businesses. For women entrepreneurs to run their businesses successfully, healthcare policies must fight ACA rollbacks, enact measures that mitigate rising healthcare costs that affect business owners' bottom line and prioritize reproductive health.

- Guarantee health protections for individuals with pre-existing conditions including the Section 1332 "state innovation" waivers uphold ACA's principles. Provisions protecting those with pre-existing conditions has enabled many would-be entrepreneurs, especially women, to leave traditional jobs to start their own small businesses.
- 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. Women are the majority of users of Medicaid.<sup>6</sup>
- Fix the so-called "family glitch," which refers to families that are ineligible for ACA because a family member has employer-sponsored insurance, but the premium is unaffordable. This would ensure more children and adults have access to affordable coverage.
- Ensure access to reproductive healthcare and birth control. Our polling shows that women small business owners support policies that ensure and expand access to birth control (69%), which is critical to many as they start and grow their businesses.<sup>7</sup>
- Block the extension of short-term, limited duration insurance plans, also known as junk plans. These plans are intended to fill gaps in an individual's coverage, but are not required to cover essential health benefits like maternity care and prescription drug coverage 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 women-owned businesses that already struggle to offer health coverage. Additionally, AHPs may not cover preexisting conditions, putting women entrepreneurs and their employees at even greater risk.
- Address the rising costs of prescription drugs.

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

For women small business owners to succeed, they must be equipped with the right tools to do so, including access to benefits that provide affordable childcare and support during times of sickness, family planning and retirement. This is critical as two-thirds of women are the breadwinners or co-breadwinners of their families, but historically have had significantly less in retirement savings due to the wealth gap. Implementing federal benefit programs would also ensure women small businesses are on a level playing field with larger, male-owned companies.

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

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<sup>6</sup> Kauffman Family Foundation, "Medicaid Enrollment by Gender." <https://www.kff.org/medicaid/state-indicator/medicaid-enrollment-by-gender/?currentTimeframe=0&selectedDistributions=male--female&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

<sup>7</sup> 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>

- 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. Women often become caregivers for their family members and are typically the first to take leave for their newborn children.
  - 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.
- 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. This could include expanding and improving federal income tax credits for child care expenses that would allow for working parents to receive a percentage of child care expenses back as a tax refund.

## Taxes

The U.S. tax code can be a pivotal way for small businesses to leverage tax credits and incentives to grow their business. But a 2017 study found that the country’s tax code disenfranchises women-owned small businesses because, in part, it’s geared towards industries that women typically do not operate in.<sup>8</sup> For women small business owners to see the benefits of small business tax credits, the type of business they run, their particular income brackets and industries cannot be overlooked.

- Raise revenue while repositioning income tax benefits toward Main Street small businesses. Specifically, we recommend replacing the 2017 tax bill's pass-through component with a provision allowing small businesses to deduct their first \$25,000 in business income, whether or not 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 like women-owned businesses.
- Support tax credits for entrepreneurs like women entrepreneurs 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).
- Increase federal tax deductions for entrepreneurs in their first year of business, which would benefit women entrepreneurs who typically have less startup capital than men. This can be done by increasing limits for deductions for start-up and organizational expenses from the current \$10,000 to \$20,000.
- Identify and fix tax issues unique to micro-enterprises and solo-enterprises that are more likely to be women-owned, such as burdensome quarterly tax filings that could cost more than \$1000 annually.
- Establish a standard business expense deduction for independent workers, which will especially benefit women entrepreneurs who are more likely to operate solo enterprises.
- Support federal and state efforts to ensure that entrepreneurs can benefit from the Earned Income Tax Credit (EITC) program, including the self-employed. The EITC helps entrepreneurs in low- and moderate-income communities, of which many are current and aspiring women entrepreneurs.

## Promoting commonsense immigration policies and a skilled small business workforce

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<sup>8</sup> Kogod School of Business, Tax Policy Center, “How the U.S. Tax Code’s Small Business Expenditures Impact Women Business Owners.” June 2017. [https://www.american.edu/kogod/research/upload/blind\\_spot\\_accessible.pdf](https://www.american.edu/kogod/research/upload/blind_spot_accessible.pdf)

With women creating businesses at higher rates than men, they have a pressing need for a robust and skilled workforce. This can be achieved in part by passing commonsense small business workforce and immigration policies to help women establish sustainable career pathways and aid them as entrepreneurs. Furthermore, we must enact policies that mitigate job loss among women as a result of technological advances.

- Pass a comprehensive immigration law guaranteeing eventual citizenship for those who contribute to our economic success, coupled with appropriate and reasonable employment verification provisions. This could help spur entrepreneurship among women who are on their way to citizenship.
- Create a "Startup Visa" that encourages participation among more foreign-born, women entrepreneurs who wish to start a business in the United States to facilitate greater inclusivity of women and women of color.
- Expand and increase funding for programs that provide women digital skills in the technology sector.
- Develop programs that provide opportunities for workers to participate in design and implementation of technological changes at their workplace.