

## 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. Entrepreneurs of color operate more [than 8 million businesses](#), generate \$1.4 trillion in revenue, and employ more than 7 million people. 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 the same period.

Despite their enormous contribution to our communities, people of color confront unique obstacles in their experiences owning a business that their white counterparts do not, particularly access to capital, business mentorship, and other services and benefits like retirement and healthcare. These problems have been exacerbated by 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, build long-term financial sustainability, promote a level playing field for minority-owned businesses, and reinforce the health of the business ecosystem that drives our economies.

### Expand access to responsible credit and capital

Due to systemic barriers, entrepreneurs of color (EOC) typically lack established relationships with traditional lenders which are essential to business success. According to the [Federal Reserve](#), 80.2% of white business owners are more likely to receive funding they request from a bank, compared to 66.4% of entrepreneurs of color. In the event EOC do receive funding they are often subject to higher interest rates, [according to a report](#) from the Minority Business Development Agency. Entrepreneurs of color need access to responsible credit and capital now, more than ever, since the [Small Business Credit Survey of 2022](#) found that they were more likely than white-owned businesses to report that revenues had not yet recovered from pre-pandemic levels. The following recommendations will help to expand minority entrepreneurs' ability to access responsible capital.

- Provide more funding and resources for business assistance providers and trusted community-based organizations that have a focus on supporting minority-owned businesses, 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. Additionally, ensure investments in federally-funded programs include credit-building programs and products that educate business owners on how to strengthen their credit.
- Pass the Small Business Lending Disclosure Act, which would extend 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](#).
- Pass legislation that protects small business owners against predatory debt collectors, especially minority-owned businesses that are particularly vulnerable to abusive debt collection practices.
- Maintain the recent expansions of funding for the CDFI Fund, including the \$3 billion in emergency funds from the December COVID-19 emergency stimulus package and the \$9 billion allocation through the Emergency Capital Investment Program.
- Monitor the implementation of the recently reauthorized State Small Business Credit Initiative (SSBCI) to ensure equitable distribution of dollars, particularly for under-resourced communities.

- 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, the Restaurant Revitalization Fund and Shuttered Venue Operators Grants 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.
- Revisit the, "good character," requirements for federally-backed loans to ensure justice-impacted individuals are not unfairly left out when seeking capital.

### **Bolster financial wellness measures and business resources**

Some 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. These organizations 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.
- Underserved community institutions with resources that encourage entrepreneurship. For example, U.S. Senator Ben 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.
- Pass the Disadvantaged Business Enterprise Supportive Services Expansion Act and Accelerating Small Business Growth Act, in tandem these bills would help achieve President Biden's ambitious goal of increasing the share of federal contracts going to small, disadvantaged businesses by 50 percent by 2025, which would translate to an additional \$100 billion for these businesses.
- Pass the Women and Minority Equity Investment Act. Currently, to be eligible for certain SBA programs, a woman or minority business owner must own an unconditional majority (at least 51%) of their business. This bill allows a woman- or minority-owned small business to maintain its contracting eligibility in the event a venture capital or private equity firm purchases an ownership stake in the business, so long as the purchasing enterprise is also owned by either a woman or person of color.
- Monitor implementation of the new changes to the Community Reinvestment Act so that critical dollars are allocated equitably to historically disinvested communities.
- Enact measures that would reform occupational licensing. In many states, individuals with criminal records are often unable to acquire licenses to operate a business, undermining their long-term success and offsetting recidivism.
- Implement clean slate procedures and create materials that will educate small businesses on the benefits of second chance hiring.

### **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 rollbacks to the law under the prior administration have put small business owners of color at greater risk when it comes to accessing affordable, quality coverage. To ensure that they are operating in a healthy environment, we recommend the following policies:

- Expand the ability for people to negotiate the price of their prescription drugs with private insurers since the rising cost of prescription drug prices hurts [small businesses bottom lines](#).
- Encourage states to take advantage of the Medicaid expansion incentives in the American Rescue Plan since this funding will not expire. Roughly [616,000 small business employees](#) could gain coverage if all remaining states expanded Medicaid.
- 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.
- Repeal regulations that broadened access to association health plans (AHPs), which would encourage younger, healthier groups to purchase inadequate coverage, thus increasing costs for most of the small group market.
- 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 advance 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 that 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. Small businesses [support](#) a proposal to provide four week of paid and medical leave.
  - 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.
- Pass the Securing Strong Retirement Act of 2021 which would help more Americans save for retirement at all stages of their career. It makes it easier for small businesses to set up retirement plans for their workers by building on the success of the SECURE Act in 2019.

### **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 childcare, 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. There are currently no visa programs/products to support an immigrant who wants to start a new business.
- 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).
- Reform the H-1B visa program to allow more applicants for both skilled and low-skilled workers and decrease the waiting period for rejected applicants from 1 year to three months.
- 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.
- Fund programs and expand SBA programs to offer resources to encourage entrepreneurship from all populations, including justice impacted individuals.
- 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 impact 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.

- Pass the Small Business Tax Fairness Act, which would reshape the Section 199A tax deductions established by the 2017 TCJA to benefit small businesses. The TCJA allowed businesses to deduct 20% of pass-through business income. However, a report from the Tax Policy Center discovered that 73% of the total benefit flows to less than 5% of pass-through businesses. The Small Business Tax Fairness Act would eliminate burdensome complexity allowing small businesses to truly benefit from Section 199A deductions.
- 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.
- 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 \$1,000 annually for freelance employees. Most small businesses of color have fewer than 10 employees.
- Expand both federal and state Earned Income Tax Credit (EITC) programs to increase small business employees' incomes and allow self-employed entrepreneurs to buy into these programs, as proposed in the American Families Plan.

- Pass the New Markets Tax Credit Extension Act of 2021 to make the New Markets Tax Credit (NMTC) permanent. NMTC 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.