

Small business needs during and after the coronavirus crisis: A roadmap to recovery

From plunging revenues to shuttered storefronts, the COVID-19 public health crisis has driven too many small businesses to the brink of collapse. More than a year into this pandemic, stories and data from business owners across the country, including from our network of 85,000 small businesses, have illuminated the dire reality of what they are facing. Our most [recent survey](#) revealed 1 in 4 small businesses won't survive past the next three months without additional relief. This is why policymakers must understand their needs and enact policies to bolster Main Street's recovery and long-term success.

While government officials have historically chosen big business over small and new businesses, the pandemic's impact on the small business community has been front and center during the crisis. Congress has taken some steps to address these needs by funding emergency small business loans, but they have not been comprehensive and robust enough to ensure businesses recover, nor do they support the millions of the smallest businesses and those owned by people of color that were left behind.

We need bold action to ensure that small businesses can recover and be better positioned to withstand the next crisis, as outlined in the short and long-term policy recommendations below.

American Jobs Plan & American Families Plan

We support the [American Jobs Plan](#) and the [American Families Plan](#) to invest in traditional and modern forms of infrastructure that will aid small business recovery and growth. [Our recent survey](#) found broad support among small businesses for these provisions, including 79% support for improving the nation's physical infrastructure and 76% support for expanded and enhanced broadband infrastructure. Furthermore, the provisions that would close tax loopholes for large corporations and wealthy Americans who don't pay their fair share will level the playing field for small business owners. For instance, The American Jobs Plan would establish a 15% minimum tax on profits that the largest corporations report to their investors ("book income"), which would stop firms from using manipulated "taxable income" to pay little or nothing in taxes. More than 3 in 4 (76%) small businesses support this idea.

Monitor existing relief programs, lending capacity, and provide immediate grant funding and innovative access to capital

Immediate Policy Needs:

- Provide [unrestricted grant](#) funding for those small businesses that were shut out of, or underfunded, by federal relief programs.
- Provide automatic forgiveness for Economic Injury Disaster Loans (EIDL) under \$150,000 to provide parity with PPP loan forgiveness.
- Appropriate a second round of funding to the Restaurant Revitalization Fund to reach hard-hit small businesses that were unable to secure funding in the first round.
- Ensure that existing borrowers have five years to pay back any unforgivable portions of the loan.
- Require the SBA to collect demographic data to determine whether funds were equitably distributed to minority-owned business.
- Extend Truth in Lending Act disclosure requirements to small business credit products so that small businesses struggling with cash flow are not taken advantage of during this pandemic. Similarly, prohibit "confession of judgment" clauses in small business lending agreements whereby borrowers agree in advance to waive their right to contest any dispute with a lender.

- Establish special purpose vehicles or other facilities within the Federal Reserve to allow CDFIs, MDIs and other mission-driven lenders to sell loans on the secondary market.

Long-Term Policy Needs:

- Maintain the recent expansion of funding for the CDFI Fund at \$3 billion.
- Ensure that funds made available via the State Small Business Credit Initiative (SSBCI) reach the most vulnerable businesses and technical support providers.
- 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.

Provide robust funding for business support services

Small business owners are desperate for guidance right now, which is why we need robust funding for business assistance centers. This is particularly needed as many small business owners are taking on debt for the first time or are also being forced to rethink their entire business model.

Immediate Policy Needs:

- Provide more immediate funding and resources for business assistance providers.
- Ensure state funding (including federal aid to states) includes appropriations for small business technical assistance programs.

Long-Term Policy Needs:

- Promote SBA and other programs that foster peer-to-peer mentoring and encourage expanded procurement opportunities for very small and underserved businesses.

Strengthen the Affordable Care Act (ACA)

Much more must be done to expand coverage, prevent key ACA provision rollbacks, strengthen the marketplace and rein in costs so that small businesses and workers won't face increasing premiums and lackluster coverage during and after the pandemic.

Immediate Policy Needs:

- Make permanent the premium assistance provided by the American Rescue Plan that has helped make healthcare more affordable for many entrepreneurs. In particular, we support increasing premium assistance to those who are otherwise eligible for premium tax credits and expanding subsidies to people making more than 400% of FPL.
- Address the rising costs of prescription drugs, as these costs are [hurting small business owners' bottom lines](#).¹

Allow consumers who are offered employer-sponsored insurance to instead receive premium assistance for marketplace coverage if they choose. This would eliminate the “unaffordability” threshold that consumers must currently meet to be eligible.

Long-Term Policy Needs:

- Strengthen the federal and state healthcare marketplaces via expanded enrollment periods.
- Continue to expand Medicaid in states that haven't done so, which is vitally important for low-income entrepreneurs and small business workers who can't afford coverage.
- Eliminate non-ACA-compliant plans—specifically short-term plans and association health plans.

¹ Small Business Majority, “Small Business Owners Concerned with Rising Cost of Prescription Drugs.” December 2016. <https://smallbusinessmajority.org/our-research/healthcare/small-business-owners-concerned-rising-cost-prescription-drugs>

Other critical benefits

As we emerge from the pandemic we must swiftly address the needs of a changing, disparate workforce—both people employed by small businesses and individuals working as independent entrepreneurs. The pandemic has accelerated the trend toward a workforce that is increasingly operating independently, so we must ensure that self-employed entrepreneurs have access to benefits consistent with those in the W-2 workforce.

Immediate Policy Needs:

- 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.
- Expand broadband to cover communities that lack access to a stable connection.
- Allow independent entrepreneurs to access Secure Choice programs, understanding many freelancers and self-employed individuals are unable to access traditional retirement benefits.

Long-Term Policy Needs:

- Expand state-based retirement programs as has been done in several states.
- Expand childcare programs in underserved communities via (1) support for owners and their workers to afford childcare and (2) financing and technical support for local childcare businesses.
- 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.

Additional financial measures and resources

Immediate Policy Needs:

- Adjust repayment due dates on property taxes and commercial rent.
- Pass legislation that would ensure business insurance companies cover COVID-19 revenue losses.
- Provide forbearance on all small business loans and credit card payments during the pandemic.

Long-Term Policy Needs:

- Pass a moratorium on increasing future unemployment insurance rates so that small businesses do not have to pay higher premiums in subsequent years as a result of COVID-19 layoffs.