

## The Agenda for Missouri's Entrepreneurs

Small Business Majority has created a comprehensive state policy agenda to ensure entrepreneurship is at the center of a thriving and inclusive economy in Missouri. The state's more than 520,000 small businesses employ 1.1 million people (about half of the private workforce) and created more than 32,000 jobs. This is why it's critical that state lawmakers enact policies that support and empower these entrepreneurs, guaranteeing they have access to capital to start and grow their business, affordable and quality healthcare and benefits programs that will make it easier for them to attract and retain talented employees. To achieve these goals, legislators should consider the policy proposals outlined below.

### Expand access to capital and business support services for Missouri's entrepreneurs

Entrepreneurs—particularly women, people of color, rural business owners and other underserved populations—face significant hurdles accessing capital and the resources they need to start and grow their businesses. Policymakers can pursue policies to ensure greater access and more options for entrepreneurs to obtain the responsible capital they need by considering the following:

- **Establish a Missouri Minority Business Loan Program**, as proposed in House Bill 1842. Under this proposal, the Department of Economic Development may loan or grant funds to qualified entities to create loan revolving funds to finance the economic development of minority-owned businesses. Qualified entities include planning and development districts, small business investment corporations and bank-based community development corporations. This will allow these business support organizations to further increase investment in entrepreneurs of color.
- **Develop a program to provide training and assistance to minority-owned businesses**, as proposed in House Bill 1831, to help them secure bid, performance and payment bonds that are necessary for contracting with federal, state or local government.
- **Expand state investments into federally-matched business support services, such as Small Business Development Centers (SBDCs) and Women Business Centers (WBCs)**. These centers provide low and no-cost critical counseling and assistance by professional staff to all entrepreneurs, helping small business owners maximize their potential for creating a positive economic impact.
- **Pass legislation extending Truth in Lending Act disclosure requirements to small business loans** or credit products, which would promote fair online lending for small businesses. In 2018, California became the first state to enact guidelines for online lending to small business owners that limits predatory practices and increases transparency. Missouri should enact similar legislation, while also requiring more transparency from brokers during the lending process.
- **Create a "First-Time Business Owner Savings Account,"** as proposed in House Bill 1845, which would authorize an income tax reduction for 50% of the contributions to a savings account dedicated to establishing a business for first-time minority business owners. Under this proposal, funds in the account would go toward startup expenses, which provides entrepreneurs with the assets needed to start their businesses.

## Expand healthcare access and affordability

According to the U.S. Census Bureau, roughly 550,000 Missourians<sup>1</sup>, or 9.1% of the total population, remain uninsured, a number that includes many entrepreneurs and small business employees. Missouri can address its remaining uninsured rate and promote more affordability for the small business community by enacting commonsense policies to strengthen healthcare markets and expand health coverage. Specific proposals include:

- **Expand Medicaid** to individuals between the ages of 19 and 65 who have incomes at or below 133% of the federal poverty level. This group includes many small business owners, their employees and self-employed entrepreneurs, and extending Medicaid coverage will make great strides in ensuring this group has access to affordable healthcare. Thirty-six states and the District of Columbia have expanded their Medicaid programs under the Affordable Care Act, but Missouri has yet to expand its program.
- **Highly regulate short-term, limited duration insurance policies.** Lawmakers should establish a term limit of up to six months and require insurers to disclose that the policy may not cover pre-existing conditions or other essential health benefits. Limiting the use of these limited, short-term plans ensures they are only used for short-term gaps in coverage, protecting the robustness of the small group and individual marketplaces and promoting affordability for all.
- **Conduct a study on the processes by which the state may import certain prescription drugs** from other countries to Missouri consumers. This would help determine the cost savings associated with drug importation and potentially unlock a new way to address the rising cost of prescription drugs, which is hurting small businesses' bottom lines<sup>2</sup>.
- **Further protect Missouri consumers from surprise billing.** Surprise billing, also known as balance billing, is the practice in which a healthcare provider charges more money above what a consumer's insurance covers, usually as a result of receiving care from an out-of-network provider at an in-network facility. The state can protect consumers from surprise billing by expanding current measures to cover non-emergency services and by preventing all insurers and healthcare providers from balance billing their patients.

## Ensure Missouri entrepreneurs and small business employees have access to retirement, paid leave and child care

State lawmakers must address the particular challenges small businesses face in finding and retaining skilled workers. Small employers face barriers to offering benefits that are crucial to attracting top talent, which puts them on an unequal playing field with larger businesses that have the resources to provide robust benefits. We encourage policymakers to consider the following:

- **Pass legislation to create the Missouri Secure Choice Savings Program**, as proposed in HB 1432. This would allow workers to automatically enroll in a state-run Roth Individual Retirement Account (Roth IRA), funded by modest employee contributions. This would help Missouri's small business owners and their employees access a retirement savings program without taking on the expense or administrative burden of an employer-sponsored plan.
- **Pass legislation to create a paid family and medical leave insurance program in Missouri.** This type of program would provide partial wage replacement for employees to access parental leave or to handle serious health conditions for themselves and family members. This

<sup>1</sup> Health Insurance Coverage in the United States: 2017, *Current Population Reports*, U.S. Census Bureau, September 2018, <https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-264.pdf>

<sup>2</sup> Small Business Owners Concerned With Rising Cost of Prescription Drugs, *Small Business Majority*, December 2016, <https://smallbusinessmajority.org/our-research/healthcare/small-business-owners-concerned-rising-cost-prescription-drugs>

would allow small businesses to provide their employees with access to paid family and medical leave without funding such a program themselves.

- **Establish a tax credit for individuals operating child care facilities in “child care deserts,”** as proposed in House Bill 1268. Under this legislation, providers in areas of high need can claim a tax credit of up to 25% of income from providing child care. This tax credit addresses the critical need to improve quality and access to child care, which in turn promotes workforce participation and encourages entrepreneurship by increasing the formation of home-based child care facilities.

### **Increase tax fairness for small businesses**

Policymakers should take steps to level the playing field for small businesses and drive our economy from the bottom up by implementing tax policies that will help all entrepreneurs. This should include simplifying and correcting existing tax policy to ensure ease of compliance for small business owners, as well as proactive solutions that would further boost and incentivize Main Street small businesses. This includes enacting the following policy proposals:

- **Pass legislation to allow small businesses to claim any state tax credit, tax deduction and other tax exemptions that other corporations are allowed to use.** This will level the playing field for smaller businesses that often struggle to take advantage of tax breaks that are typically reserved for larger businesses.
- **Enact new online sales tax rules to level the playing field between out-of-state retailers and Missouri small businesses while ensuring that the sales tax collection process is not burdensome for small business owners.** In previous legislative sessions, several proposals have been introduced to require certain out-of-state sellers with no physical presence in Missouri to collect and remit Missouri sales tax, which will level the playing field for brick-and-mortar small businesses in Missouri and boost the economy. While such a proposal would help ensure out-of-state retailers do not have an unfair advantage over Missouri businesses, these measures must consider the fact that small businesses often lack an accounting team that is able to prepare them for compliance and its costs. It is imperative that any new legislation also simplifies the tax collection process and reduces the burden on Missouri’s entrepreneurs.