

April 13, 2021

The Honorable Chuck Schumer
Majority Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230, The Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
H-204, The Capitol
Washington, D.C. 205

Re: Supporting small businesses through the American Jobs Plan

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker Pelosi, and Minority Leader McCarthy:

As a leading representative of America's 30 million small businesses, we offer our strong support for key provisions in the American Jobs Plan that are essential to supporting the small business ecosystem and will bolster small businesses on their road to recovery. We also offer recommendations to ensure that measures to reform the tax code reflect the needs of our nation's smallest businesses.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. We engage our network of more than 85,000 small businesses and 1,000 business organizations to advocate for public policy solutions and deliver resources to entrepreneurs that promote equitable small business growth.

Infrastructure

To support small businesses in every corner of America, we need bold action to ensure that entrepreneurs can recover from the pandemic and be better positioned to withstand the next crisis. The following proposals are essential to their growth and sustainability.

- **Physical infrastructure:** Small businesses rely on public infrastructure even more than large businesses because they do not have their own infrastructure capabilities. [Our polling](#) shows most small business owners agree that robust investment in our nation's infrastructure is crucial to the success of their businesses. Investing in our physical infrastructure supports access to customers and suppliers, enhances business operations and creates demand for the goods and services small businesses must sell.
- **Broadband access:** The lack of broadband access for tribal and rural small businesses is a significant obstacle to conducting business, as detailed in [our year-long rural entrepreneurship study](#). Additional investments for increasing rural broadband access would support growth for small businesses that need the Internet for access to markets, customers and operations support.
- **Incubators and innovation hubs:** Under-resourced communities, whether urban or rural, often lack support to harness entrepreneurs' potential. Increased funding for community-based small business incubators and innovation hubs would provide this much-needed boost.

- **Extreme weather events:** [Our polling](#) has found that small businesses are particularly vulnerable to extreme weather events because they disrupt their ability to conduct business. The plan to increase resilience in essential services, including the electric grid and roads, rail, and other transportation assets, ensures an infrastructure that can better withstand the increasing incidence of extreme weather events such as hurricanes, floods and wildfires.
- **Workforce development:** Small businesses often struggle to attract and retain a readied workforce, particularly as workforce development programs are often intended for larger businesses. Increased funding to target workforce development programs to underserved groups would help support communities and their small businesses.
- **Small business contracting:** While the federal government has small business contracting standards, particularly for women- and minority-owned businesses, they often do not even meet those minimum standards, thereby undercutting the small business ecosystems' potential. Federal contracting standards for women- and minority-businesses must be met, if not exceeded.
- **Increase investments towards lending and investment capital:** Many small businesses, particularly those owned by women and people of color, struggle to access responsible sources of capital. That is why increasing investments in SBA's 7(a) Loan Program would help increase access to credit and encourage growth and expansion in the small business ecosystem.

Taxes

For too long, our nation's tax system has benefitted the wealthiest Americans and large multinational corporations at the expense of small business owners, their employees, and independent contractors. [Our polling](#) found that 85% of small businesses feel the tax code unfairly benefits large corporations over small businesses, a disparity that has undoubtedly been exacerbated by the COVID-19 pandemic.¹ The American Jobs Plan provides an opportunity to address this and level the playing field. We support the following proposals and offer key recommendations that would better support small businesses as legislation is considered:

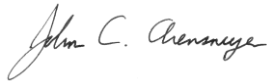
- **Raise the corporate tax rate to 28% from 21%:** Only 5% of small businesses are subject to corporate taxes. But, to mitigate the burden on the smallest of businesses that do pay the corporate rate, we propose the following graduated tax brackets:
 - First \$0-25,000: 0%
 - Next \$25,0001-75,000: 15%
 - Next \$75,001-150,000: 21%
 - Next \$150,001-300,000: 25%
 - Next \$300,001 and above: 28%
- **Establish a 15% minimum tax on the profits that large corporations report to their investors ("book income") to stop firms from using manipulated "taxable income" to pay little or nothing in taxes:** Many large corporations use tax loopholes to reduce taxes, and often completely avoid paying taxes at all. As small businesses do not have armies of lawyers and accountants to take advantage of such loopholes, this creates an unequal playing field.
- **Set a minimum tax rate of 21% on corporate offshore profits, eliminate the rule that allows U.S. companies to pay zero taxes on the first 10% of return and make it tougher for U.S. corporations to dodge U.S. taxes by adopting phone foreign addresses:** Small businesses have minimal amounts of offshore income, so current law unfairly benefits larger corporations rather than Main Street businesses.

¹ Small Business Majority, "Small Business Owners Want Fair Tax System Over Tax Cuts." October 2017. <https://smallbusinessmajority.org/our-research/taxes-budget-economy/small-business-owners-want-fair-tax-system-over-tax-cuts>

- **End special tax breaks for fossil fuel production:** The current tax code includes loopholes and foreign tax credits for the fossil fuel industry, reinforcing tax advantages they have over small businesses.
- **Ensure tax enforcement:** Currently, larger corporations exploit loopholes in the tax code or evade tax liabilities entirely. We must ensure they are paying the taxes they owe, particularly because small businesses that face significant obstacles are paying their fair share. IRS corporate tax enforcement should focus on large corporations where the most money is at stake.
- **Additional tax proposals:** We support the international tax provisions proposed by Senators Wyden, Brown, and Warner along with Treasury Secretary Yellen's proposal for a global minimum tax.

To level the playing field for small businesses, we must invest in our infrastructure and make changes to the tax code that would enable small businesses to compete on a level playing field. The American Jobs Act will ensure that small businesses can rebuild better.

Sincerely,



John Arensmeyer
Founder and CEO

cc:

The Honorable Ron Wyden: Chair, Senate Committee on Finance

The Honorable Richard Neal: Chair, House Committee on Ways and Means

The Honorable Ben Cardin: Chair, Senate Committee on Small Business & Entrepreneurship

The Honorable Nydia Velázquez: Chair, House Committee on Small Business

The Honorable Mike Crapo: Ranking Member, Senate Committee on Finance

The Honorable Kevin Brady: Ranking Member, House Committee on Ways and Means

The Honorable Dr. Rand Paul: Ranking Member, Senate Committee on Small Business & Entrepreneurship

The Honorable Blaine Luetkemeyer: Ranking Member, House Committee on Small Business