



VOICE OF MAIN STREET

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Small business optimism declines amid concerns about tariffs, healthcare; Latino-owned businesses report biggest losses



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Introduction

As Congress and the Trump administration evaluate policy changes in 2025 and beyond, it's important that they take into account the views and needs of entrepreneurs. It's particularly critical that they recognize that small business owners are very concerned about tariffs which are already driving up their costs. These rising expenses negatively impact their bottom line, and many small business owners have or are considering taking steps to mitigate this impact, including raising prices and pausing expansion plans.

These findings are the latest in Small Business Majority's Voice of Main Street opinion poll series, a quarterly look at the challenges and opportunities that entrepreneurs in our network are facing when it comes to a range of issues. In addition to shedding light on tariff challenges, the report shows how immigration policies might continue to impact small business: Latino-owned firms are seeing less growth than others, building on [our last survey](#) that found many entrepreneurs worry mass deportation policies could harm their business and the economy. The survey also finds that entrepreneurs broadly oppose Medicaid cuts and changes to the Affordable Care Act (ACA) in Congress' reconciliation bill that will reduce access to health coverage for millions of small business owners and their employees. Entrepreneurs also do not approve of raising the federal deficit to pay for tax cuts for the wealthy and large corporations.

Instead of taking actions that raise costs and threaten healthcare access for small businesses, lawmakers must prioritize leveling the playing field for small firms. Entrepreneurs want legislation and a softening of executive edicts that would shield them from tariffs and create greater certainty about the future. With small business optimism in decline, federal policymakers must act soon and craft legislation that restores confidence by offering significant benefits to America's Main Street innovators and job creators.

Key findings

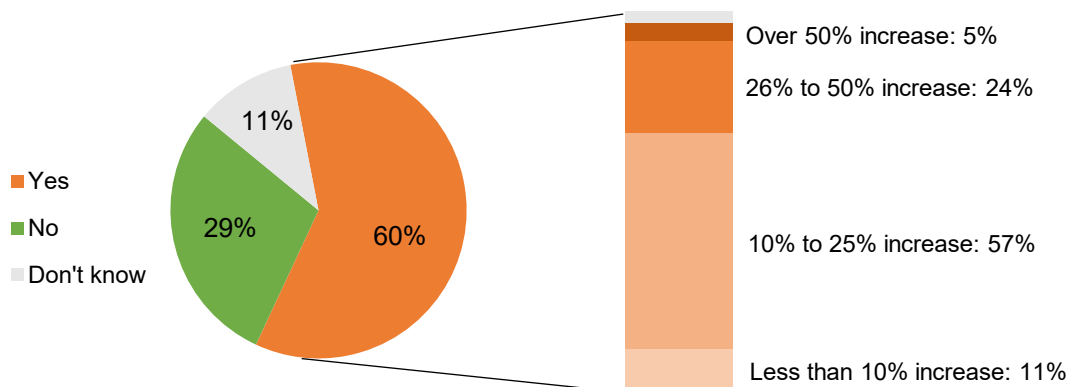
- **Only 36% of small business owners are optimistic** about their business prospects over the next six months while 67% say that their business expenses increased over the past three months.
- **The vast majority (81%) of small business owners are concerned about the impact of tariffs on their business** in the future, with more than half (54%) very concerned. Many are already impacted as **60% report that they've experienced higher costs for imported materials or goods due to recent tariff increases**. Of these businesses, more than half (57%) say their costs have increased by 10% to 25% and nearly one quarter (24%) say their costs have increased by 26% to 50%. Additionally, 5% report increases of more than 50% and more than 1 in 10 (11%) report increases of less than 10%.
- Recent legislative proposals to exempt small businesses from certain tariffs have been introduced in Congress. **The overwhelming majority (75%) of small business owners would support an exemption from tariffs for small businesses**. Nearly two-thirds (62%) would strongly support it while only 5% would oppose this type of exemption.
- **More than three-quarters (76%) of entrepreneurs oppose Congress' cuts to Medicaid**. Sixty-nine percent strongly oppose the cuts and just 12% support them.
- The One Big Beautiful Bill Act sharply increases the federal deficit largely due to its tax cut provisions, most of which benefit the largest businesses and wealthiest Americans instead of Main Street. **More than half (54%) of small businesses believe that deficit spending is sometimes acceptable, but not to fund tax cuts for the wealthy and large corporations**. About 2 in 10 (21%) believe that not increasing the deficit should be Congress' top priority even if it means limiting tax cuts, while only 7% believe that Congress should pass tax cuts even if it increases the deficit.
- The legislation also makes significant changes to the ACA such as shortening enrollment periods and imposing additional administrative requirements, which would cause up to 2 million people to lose health coverage.¹ **The overwhelming majority (76%) of small business owners oppose these changes**, with 72% strongly opposed.

Small businesses struggle with tariff costs

In recent months, the president has imposed tariffs on imports from most countries. An overwhelming majority (81%) of small business owners are concerned about the impact of tariffs on their business in the future, with more than half (54%) very concerned. Only about 2 in 10 (18%) are not concerned about tariffs. This concern is unsurprising as 60% of entrepreneurs report that they've already experienced higher costs for imported materials or goods due to recent increases in tariffs. Twenty-nine percent have not experienced higher costs due to tariffs and 11% are unsure if they have.

Of the small businesses that have experienced increased costs, more than half (57%) say their costs have increased by 10% to 25% and nearly one quarter (24%) say their costs have increased by 26% to 50%. Additionally, 5% of small businesses say that their costs have increased by more than 50% and about 1 in 10 (11%) say that their costs have increased by less than 10%.

Figure: Small business owners are experiencing higher costs for imported materials or goods due to recent increases in tariffs



Many small businesses participate in or are impacted by international trade. Forty-five percent buy materials or goods from U.S. companies that import from other countries and 26% of small businesses import materials or goods from other countries themselves. What's more, 7% sell to U.S. companies that import from other countries, 7% export materials or goods directly to other countries, while 5% sell to U.S. companies that export to other countries. Only 39% say they are not impacted by international trade.

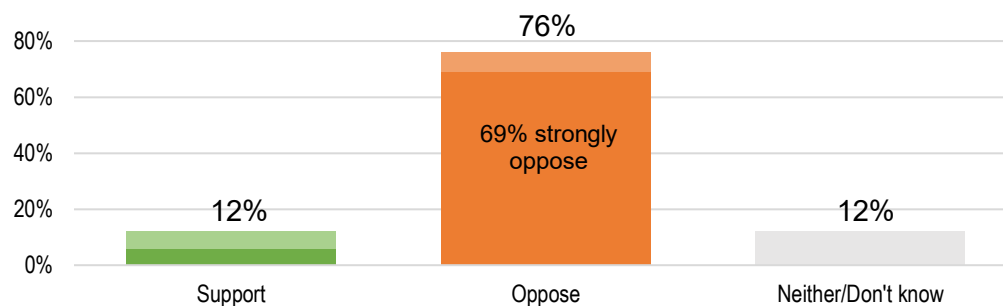
As a result of tariff policies, many small business owners have made changes or have considered making changes to their business. They say that they have or will likely increase the price of certain materials or products (31%), delay business growth expansion plans (27%), delay importing materials or goods due to uncertainty around tariffs (21%) and delay hiring new employees (21%). Entrepreneurs have also sought out U.S.-based suppliers (18%), changed their business model and/or product offerings (16%), sought suppliers in other countries where there is less tariff impact (12%) and laid off workers and/or reduced their hours (8%). Only 39% say these changes are not applicable to their businesses.

Given the impact of tariffs on small businesses, it's not surprising that entrepreneurs are in favor of legislative action to address their concerns. Three-quarters of small business owners would support an exemption from tariffs for small businesses and more than 6 in 10 (62%) strongly support an exemption. Only 5% of small business owners would oppose it. The "de minimis" exemption, which is a rule that previously allowed shipments under \$800 to enter the United States without incurring tariffs, has been removed for all imported goods from China. A plurality (40%) disagree with the decision to end the de minimis exemption for goods imported from China, while 31% agree with the decision. About a quarter (26%) of small businesses have been directly affected by the end of the de minimis exemption for Chinese goods.

Small businesses oppose Medicaid cuts and are concerned about healthcare affordability

Medicaid provides health coverage to low-income individuals and families across the United States, including many small business owners, their employees and their families. In fact, our polling found that 19% of small business owners and/or their dependents currently have Medicaid coverage, and 11% had it in the past. Congress recently passed a budget reconciliation bill that includes steep cuts to Medicaid, which could potentially leave millions of people uninsured. More than three-quarters (76%) of small business owners oppose cuts to Medicaid as part of the new law, with 69% strongly opposing it.

Figure: Small business owners oppose cuts to Medicaid

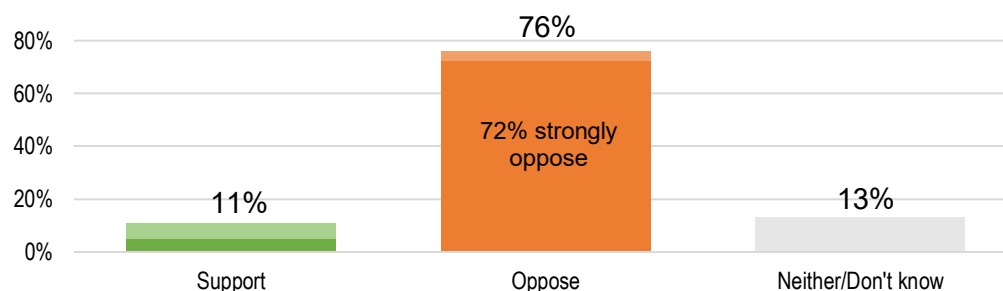


In addition to cutting Medicaid, the One Big Beautiful Bill Act increases the federal deficit largely due to tax cut provisions. More than half (54%) of small businesses believe that deficit spending is sometimes acceptable, but not to fund tax cuts for the wealthy and large corporations. About 2 in 10 (21%) believe that not increasing the deficit should be Congress' top priority even if it means limiting tax cuts, while only 7% believe that Congress should pass tax cuts even if it increases the deficit.

Furthermore, the bill makes significant changes to the ACA, such as shortening enrollment periods and imposing additional administrative requirements. These changes could cause up to 2 million people to lose health coverage. The overwhelming majority (76%) of small business owners oppose these changes, with 72% strongly opposing it. Only 11% support the changes to the ACA.

Figure: Small business owners oppose changes to the ACA

(such as shortening enrollment periods and imposing additional administrative requirements)



Just 31% of small businesses offer employer-sponsored health insurance to their employees while 69% do not. Therefore, many small business employees obtain their health coverage through sources other than their place of employment. Small business owners report that some of their employees have health coverage through an ACA marketplace plan (32%), Medicaid (8%) or both (13%). Thirty percent report that as far as they know, their employees don't have coverage through the ACA or Medicaid. Many small business owners are concerned about potential changes to healthcare coverage for themselves and their employees due to new federal policies. They worry about increased financial stress due to potentially higher healthcare costs (73%), having to provide or obtain private healthcare coverage to employees (44%) and being unable to recruit and retain employees due to lack of coverage (43%).

Small business owners are less optimistic and face obstacles

Only 36% of small business owners are optimistic about their business prospects over the next six months. This is a significant change from Small Business Majority's prior Voice of Main Street Survey in April, when 44% were optimistic. There also has been a nine percentage point increase in small business pessimism, with 46% of small business owners now pessimistic about their business prospects. Seventeen percent are neutral. Over the past three months, business revenues have decreased for a plurality (46%) of entrepreneurs. Revenues stayed about the same for one-third and increased for one-fifth of small businesses. Latino-owned businesses saw the largest share of revenue decline, however, with 62% noting a decrease in the past quarter.

In addition to declining or stagnant revenues for a majority of businesses, 67% report that business expenses have increased over the past three months, representing a six percentage point increase from the prior Voice of Main Street Survey. This is likely due to inflation and increased tariffs. Costs stayed the same for 26% of small businesses and decreased for only 7% of small businesses. Furthermore, while the number of employees working at their small business has remained the same over the past three months for 77% of entrepreneurs, headcount has decreased (15%) for more small businesses than it has increased (8%). Latino-owned businesses saw the largest decrease in employee headcount, with 35% reporting a reduction and are seeing less growth than other groups. This trend may be linked to increased immigration enforcement actions impacting their employees and customers. These findings build upon our previous survey, where more than one-third (37%) said mass deportation policies might negatively affect their business or suppliers and nearly seven in ten (69%) expressed concern about broader economic harm.

Small businesses are also struggling with financial difficulties. Large majorities say that increased costs of supplies/inventory (76%), reduced consumer spending (77%), difficulty accessing financing (57%) and difficulty making payroll and/or paying expenses (59%) are challenging for their business. They also face technology challenges, with many reporting that keeping up to date with new technology (62%), integrating new technology into the business (59%), integrating different business systems together (63%) and problems with existing technology (46%) pose difficulties. Some small businesses struggle with marketing challenges like attracting new customers (83%), attracting potential investors, suppliers or other business partners (51%), seasonal changes resulting in fewer customers (53%) and finding the right marketing channels to use (66%).

Additionally, some entrepreneurs report that a lack of access to legal assistance (40%), handling legal matters related to the business (20%), complex contract-related business transactions (40%) and adhering to industry or government regulations (50%) are legal challenges they face. These difficulties in running their businesses create additional challenges for entrepreneurs: 76% struggle with burnout or a lack of personal time and 53% struggle with the fear of failure or imposter syndrome.

Conclusion

Small business owners are concerned about tariffs and are already experiencing higher costs. Since many small businesses already made changes or are considering making changes to their business as a result of tariff policies, it's not surprising that they support proposed federal policies that would exempt small businesses from certain tariffs. Additionally, they do not support the Medicaid cuts or changes to the ACA included in Congress' reconciliation bill, and they disapprove of increasing the federal deficit to fund tax cuts for the wealthy and large corporations. Overall, small business owners are considerably less optimistic about their business prospects than they were earlier this year and face financial headwinds that make it harder for them to succeed. As federal decision makers consider new policies, it's crucial that they listen to the concerns of small businesses and prioritize legislation and executive actions that foster an environment in which entrepreneurs can thrive.

Methodology

The third Voice of Main Street survey is a poll of 228 small business owners in Small Business Majority's national network. It was conducted between June 12-Aug. 1, 2025. The margin of error is +/- 6% at a 95% confidence level.

View full topline on our website: <https://smallbusinessmajority.org/our-research/voice-of-main-street/small-business-optimism-declines-amid-concerns-about-tariffs-healthcare-latino-owned-businesses-report-biggest-losses>

¹ "45 CFR Parts 147, 155, and 156, page 241." The U.S. Department of Health and Human Services. March 19, 2025. <https://public-inspection.federalregister.gov/2025-04083.pdf>