

KEY FINDINGS

Tariff Shocks, Policy Volatility & Small Business Resilience

State-Level Analysis: California · Georgia · Illinois · Colorado

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Prepared for Small Business Majority

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This brief summarizes key findings from the State-Level Analysis section of a policy report examining how the 2025 U.S. tariff regime affected small businesses in California, Georgia, Illinois, and Colorado, across agriculture, manufacturing, and retail/consumer goods.

Context: Small Businesses & Tariff Exposure

99.9% of U.S. firms are small businesses	97% of U.S. importers are small businesses	81% of small businesses view tariffs as a major concern*	60% report increased import costs from tariffs*
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*Small Business Majority (2025) survey

Finding 1: Small Businesses Bear a Disproportionate Share of Tariff Costs

Across all four states, small firms felt the impact of tariff shocks more severely than larger competitors. They have less pricing power, less capital, and no lobbying leverage to seek exemptions.

- **More than 40% of small firms reported tariffs created a significant financial burden**, particularly in manufacturing and retail (Federal Reserve Banks, 2026).
- 76% raised prices to manage costs; 60% absorbed some portion themselves; a dual squeeze on both customers and margins (Federal Reserve Banks, 2026).
- Retail was the most consistently vulnerable sector across all four states, with significant job losses in every state studied: Georgia lost ~11,500 retail jobs in Q2 2025; Colorado lost ~7,500; Illinois lost ~6,500.
- SMBs affected by tariffs saw their average tariff rate nearly double, from 6.5% in January 2025 to 11.4% by July 2025, while rates for unaffected businesses held steady (Federal Reserve Bank of Boston, 2025).
- SBA 7(a) lending approvals rose 36% between 2023 and 2025 (57,362 to 78,011 loans), suggesting more firms may have turned to debt to manage liquidity pressure, though the data cannot establish a direct causal link to tariffs.

Finding 2: Each State's Exposure Reflects Its Economic Structure

Tariffs are federal, but their impact is local. Each state's vulnerability was shaped by what it produces, imports, and exports:

State	Primary Exposure	Key Impact	Small Business Vulnerability
CA	Electronics, ag exports, tech supply chains	Top 13 ag commodities to China fell 64% in one year	95% of CA exporters are small/mid-sized firms
GA	Port activity, auto imports/exports, logistics	Port of Brunswick cargo declined after 25% auto tariff	87% of GA exporters are small businesses (SBA Office of Advocacy, 2025)

IL	Steel, aluminum, machinery, electronic inputs	Only state of the four to record an annual export decline (-2.3%)	20,000+ small manufacturers; 86% reported cost increases
CO	Aerospace, advanced manufacturing, precision parts	Effective tariff rate rose from 3% to 21%, a century high; \$767M paid in 11 months	99.5% of CO businesses are small; 86% reported negative tariff impacts

Finding 3: Agriculture Was Among the Hardest-Hit Sectors

China's retaliatory tariffs targeted U.S. agricultural goods directly. California, the nation's largest agricultural exporter, bore a disproportionate share of those losses.

- California's top 13 ag commodities exported to China fell from \$1.55B annually to \$554M in 2025, a 64% decline in a single year (Carter, Steinbach & Yildirim, 2026).
- Pistachio exports fell \$478M (84% volume decline); almond exports fell \$228M (77% volume decline).
- County-level losses: Fresno County lost ~\$246M; Kern County lost ~\$238M in estimated annual export value.
- Losses extend beyond farms, rippling through processors, truckers, warehouses, and port facilities.
- Federal relief has been limited: CA received less than 2% of \$23B in USDA Market Facilitation payments during 2018–2019; the 2025 Farmer Bridge Assistance Program largely prioritized Midwestern row crops.

Finding 4: Policy Uncertainty Is Itself an Economic Harm

Beyond the direct cost of tariffs, the rapid and unpredictable changes in trade policy created a secondary layer of harm, discouraging hiring, investment, and business expansion.

- The Supreme Court struck down IEEPA-based tariffs in February 2026, but Section 232 steel/aluminum and Section 301 China tariffs remain in effect.
- Tariff refund eligibility remains unresolved. An estimated \$700M/month in interest is potentially owed to importers; businesses that passed costs to customers may not qualify (Cerullo, 2026).
- Illinois importers paid an estimated \$11B in tariffs between March and December 2025, with costs moving through supply chains unpredictably.
- During periods of high uncertainty, small businesses are less likely to hire, take on credit, or expand, compounding economic harm over time (Schweitzer & Shane, 2011).

Policy Recommendations

Establish State Small Business Resilience Funds

States should create Small Business Resilience Funds to provide temporary working capital support to firms facing tariff-related cost pressures and policy uncertainty. The report's findings, including rising SBA 7(a) lending activity, persistent price pressures, and disproportionate vulnerability in the retail sector, indicate that many small businesses have been absorbing shocks without adequate financial cushion. By offering bridge financing,

low-interest loans, or emergency grants, states can assist viable firms in stabilizing operations and reducing the risk of closures or layoffs during periods of trade volatility.

While the federal government's development of the Consolidated Administration and Processing of Entries (CAPE) portal represents a positive step toward refund recovery, its spring 2026 launch timeline, administrative requirements, and unresolved eligibility questions mean that relief will not reach small businesses immediately. Many firms will need to ensure active Automated Commercial Environment (ACE) accounts and ACH enrollment before any funds can be disbursed, steps that present meaningful barriers for businesses without dedicated compliance staff. State resilience funds are therefore not contingent on federal refund timelines and should be structured to provide relief independent of CAPE's rollout.

Create State-Level Tariff Refund Support Programs

States should establish Tariff Refund Support Programs to assist small businesses in navigating the process of recovering tariff payments invalidated by the Supreme Court's February 2026 ruling. As the report documents, legal uncertainty persisted well after the Court's decision: refund administration remained unresolved, eligibility criteria were contested, and the question of accrued interest obligations remained open. Because small businesses typically lack dedicated legal or compliance staff, state-level outreach, claims preparation assistance, and targeted legal support would reduce these barriers and help small firms access working capital relief to which they may be entitled.

Expand Long-Term Reshoring and Supply Chain Resilience Incentives

States should strengthen incentives for reshoring and supply chain diversification, targeted at small businesses in tariff-exposed industries of strategic importance. The case studies illustrate that import reliance remained largely intact even after tariff imposition, confirming that the structural dependencies driving small business vulnerability cannot be resolved through trade policy alone. States should begin with supply chain gap analyses to identify sectors carrying the greatest domestic sourcing risk, then develop targeted responses including tax incentives, industrial zone development, workforce investment, and capital support to help small firms reduce exposure to foreign supply disruptions over time.

Strengthen Federal Negotiation Support for Small Businesses

At the federal level, the report identifies a persistent asymmetry: large firms were able to leverage supplier relationships and lobbying capacity to negotiate pricing adjustments during the tariff period, while small businesses absorbed cost increases with few comparable tools. The Small Business Administration and the U.S. Department of Commerce's International Trade Administration should develop a coordinated program to assist small businesses in negotiating with international suppliers, including access to trade advisors and collective purchasing frameworks. Formalizing this as a standard function of both agencies would help ensure small businesses are not systematically disadvantaged in future trade disruptions.

Exempt Small Businesses from Future Tariff Regimes Through Federal Legislation

To prevent future administrations from imposing comparable harm on Main Street businesses, Congress should pass legislation exempting small businesses from tariff obligations that exceed their capacity to absorb without operational harm. Legislation such as the Small Business Liberation Act 2.0 would establish a statutory floor of protection for small importers, ensuring that executive trade actions which history suggests will recur regardless of administration, do not disproportionately burden the firms least equipped to manage them. Such legislation would not constrain the federal government's ability to pursue legitimate trade policy objectives; rather, it would ensure that the costs of those objectives are not borne primarily by small businesses and the consumers they serve.