

The Honorable Ben Cardin
Chairman
Senate Small Business and Entrepreneurship
Committee
509 Hart Senate Office Building
Washington, DC 20510

The Honorable Rand Paul
Ranking Member
Senate Small Business and Entrepreneurship
Committee
167 Russell Senate Office Building
Washington DC, 20510

The Honorable Nydia Velazquez
Chairwoman
House Small Business Committee
2302 Rayburn House Office Building
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
House Small Business Committee
2230 Rayburn House Office Building
Washington, D.C. 20515

March 17, 2021

Dear Chairman Cardin, Ranking Member Paul, Chairwoman Velazquez, Ranking Member Luetkemeyer,

We, the undersigned organizations supporting Black, Latino, and immigrant-owned businesses across the country, respectively request that you immediately pass legislation to ensure microbusinesses of all types obtain the maximum benefit of relief under the Paycheck Protection Program. Specifically, we urge you to codify and make retroactive administrative changes announced last week to ensure that sole proprietors, independent contractors, and self-employed individuals can have fair and meaningful access to PPP relief. Doing so would ensure these significant economic drivers, in urban and rural communities alike, can access the very same changes that Congress enacted for ranchers and farmers as part of the December Economic Aid Act. And, to ensure sufficient time to benefit from the changes announced last week, and called for herein, Congress must extend the PPP program until June 30, 2021.

Sole proprietors, independent contractors and self-employed individuals (most of whom typically file their business income taxes on IRS Form 1040, Schedule C) have reported significant challenges in accessing the necessary relief. Until last week, program rules linked the loan amount related to owner-employee payroll to “net profit” listed on line 31 of the owner’s IRS Form 1040 Schedule C, which prevents these microbusinesses from accessing meaningful amounts of aid. As has been widely reported, this effectively excluded many of the smallest businesses from participating in PPP. Indeed, many of these businesses applied for PPP loans only to find out they were ineligible under this formula or would receive a PPP loan of less than \$100. While we applaud the actions of SBA and Treasury to address this concern going forward, **there are many sole proprietors who have already applied for and received first and second draw PPP loans, many just days before the rule change, who remain unable to access necessary increases in aid.** Congress should take immediate action to make the change retroactive and ensure equitable access to aid for microbusinesses.

The Economic Aid Act passed by Congress in December provided retroactive relief for small farmers and ranchers who file Schedule F forms, including the ability to increase any PPP loans received prior to the law’s enactment. Prior to the enactment of this package, Schedule F filers and Schedule C filers were treated the same under SBA guidelines. As a result of this package, however, Schedule F filers have been able to utilize “gross income” as opposed to “net profit” in calculating owner-employee payroll and have the change applied to previously disbursed loans. We understand that this distinction between microfarmers and other

microbusinesses may have been unintentional; however, the effect is to further existing inequities. This becomes readily apparent when you consider that microbusinesses account for 95% of Black-owned businesses and 91% of Latino-owned businesses, who remain unable to fully access relief. Congress must not allow these inequities to persist.

The CARES Act specifically notes on page 30 that loans to businesses “owned and controlled by socially and economically disadvantaged individuals” should be prioritized. **To fully realize this directive, the change for Schedule C filers must be made retroactive.** Applying this change retroactively will meaningfully increase the amount of PPP support available to microbusinesses. Retroactive implementation would also expand support to owner-operated businesses, 70% of which are owned by women and people of color, which received PPP loans as low as \$1.¹ We are committed to meeting the needs of these underserved businesses and urge congressional action to address these outstanding inequities. Average loan amounts would remain low as existing program rules place reasonable caps on the amount of owner income that can be included in determining the loan amount.² Absent this fix, PPP will continue to primarily benefit predominantly white, well-capitalized businesses.

In this public health and economic emergency, we must do all we can to make sure our small businesses have the support and assistance they need to weather the crisis. That must be especially the case for our smallest and historically underserved businesses, including in communities of color. Oftentimes these microbusinesses lack the resources of larger businesses and in too many cases, have faced long-standing economic and process inequities that COVID-19 has only exacerbated. **It is imperative that action is taken to improve PPP accessibility and equity to ensure Schedule C filers and Schedule F filers are afforded the same set of rules. Further, so that microbusinesses are able to fully participate in the program with the benefit of these changes, Congress must extend authorization of the PPP until June 30, 2021. The extension should allow the SBA flexibility on rulemaking authority as long as the rules are within the spirit of the law.**

We urge you to immediately pass legislation ensuring the new criteria for Schedule C filers are retroactively applied as outlined above and extending the PPP deadline without restrictions. Enactment of this change and program extension is of utmost importance; refraining from doing so will deny business owners the relief they need simply because of the tax forms that they file and arbitrary timing rules favoring one set of microbusinesses over another. We appreciate your immediate attention to this request and thank you for your continued work to mitigate the impact that this public health crisis is having on the backbone of our economy, our American small businesses.

Sincerely,

iHICA! Hispanic Interest Coalition of Alabama
Accion Opportunity Fund
Alianza Americas
American Business Immigration Coalition
AmPac Business Capital
Amplify Latinx
Arkansas United
B.M.A.D.E
BlackBiz Development Group LLC

¹ <https://home.treasury.gov/policy-issues/cares-act/assistance-for-small-businesses/sba-paycheck-protection-program-loan-level-data>

² Section 1102(a)(1)

<https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf#page=7>

California FarmLink
CAMEO - California Association for Micro Enterprise Opportunity
CDC Small Business Finance
CDFI Coalition
Center for Responsible Lending
Chicago Urban League
City Heights Community Development Corporation
Colectivo de Mujeres Transnacionales
Common Future
CommonWealth Kitchen
Communities Unlimited, Inc.
Community Development Partnership
Edna Martin Christian Center
Entrepreneurship Center
Fahe
Familias Unidas en Acción
Greater Auburn-Gresham Development Corporation
Gutwein Law
Hispanic Interest Coalition of Alabama
Hope Policy Institute
Indy Chamber of Commerce
JPNDC
La Cocina
Latino Economic Development Center-LEDC
Local Initiatives Support Corporation (LISC)
Local Initiatives Support Corporation (LISC) Boston
League of United Latin American Citizens
M&F Bank
MACDC - Mass. Assoc. of Community Development Corporations
Main Street Alliance
Main Street Launch
Microenterprise Collaborative of Inland Southern California
Mission Economic Development Agency (MEDA)
Mountain BizWorks
National Association for Latino Community Asset Builders
National Association for the Self-Employed
National Coalition for Asian Pacific American Community Development (National CAPACD)
National Community Reinvestment Coalition
National Cooperative Bank
National Young Farmers Coalition
Natural Capital Investment Fund Inc.
New Afrika Halal Group
Northeastern Community Business Clinic
Opportunity Finance Network
Partners for Rural Transformation
Prestamos CDFI, LLC
Rural Community Assistance Corporation
Seaway Credit Union
Self-Help Federal Credit Union
Self-Help Ventures Fund

Small Business for America's Future
Small Business Majority
The Resurrection Project
Uptima Entrepreneur Cooperative
UnidosUS
United State Hispanic Chamber of Commerce
Wayne Smith & Associates
Women's Entrepreneurship Initiative