

The Honorable Janet Yellen  
Secretary of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

The Honorable Tami Perriello  
Administrator (Acting)  
Small Business Administration  
409 3rd St., SW  
Washington, DC 20416

The Honorable Isabel Guzman  
Administrator-Designate  
Small Business Administration  
409 3rd St., SW  
Washington, DC 20416

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

February 12, 2021

Dear Secretary Yellen, Chairman Cardin, Ranking Member Paul, Chairwoman Velazquez, Ranking Member Luetkemeyer, Acting Administrator Perriello, and Administrator-Designate Guzman,

We, the undersigned organizations supporting African American, Latino and immigrant-owned businesses across the country, respectfully request that you enact changes immediately to the Paycheck Protection Program (PPP) to increase meaningful access for sole proprietors, independent contractors, and self-employed individuals. While the Economic Aid Act addressed many of the impediments to access for business owners of color, barriers remain. Of urgent concern is the continued exclusion of microbusinesses, many owned by people of color in rural and urban communities alike, that cannot access the amount of relief necessary to navigate this ongoing public health and economic emergency.

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. Current provisions in program rules link 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.

It is particularly concerning that this rule remains in effect given the Economic Aid Act provided relief for small farmers and ranchers who file Schedule F forms. 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 may now utilize "gross income" as opposed to "net profit" in calculating owner-employee payroll. 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.

The CARES Act specifically gives the Administrator authority to promulgate rules as necessary to carry out the PPP and to exercise its authority. It also 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 rule for Schedule C filers must be changed. To that end, we urge the SBA to adjust these criteria to align loan amount requirements with the approach recently taken by Congress to support small farmers and ranchers by linking loan amounts to the "gross income" entry on line 7 of the Schedule C.** This change will meaningfully increase the amount of PPP support available to microbusinesses. Average loan amounts would remain low as other program rules place reasonable caps on the amount of owner income that can be included in determining the loan amount. 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 very small and underserved businesses, including in communities of color. Oftentimes these microbusinesses lack the resources of larger businesses and in many cases, have faced long-standing economic and process inequities that have only been exacerbated by COVID-19. Businesses of color are a substantial source of income and employment in communities of color—accounting for 8.7 million jobs at total annual payroll of \$280 billion, and \$1.3 trillion in revenue<sup>1</sup>—yet they were almost entirely excluded from the first round of funding in the PPP due to structural flaws with the program. The design of PPP strongly disfavored businesses owned by people of color, who generally do not have established banking relationships and face greater obstacles in capital access. Moreover, the incentive for lenders to fund larger loans, which yielded larger fees, has proved to be a barrier to entry for the vast majority of businesses of color. It is imperative that action is taken to improve PPP accessibility and equity, and ensuring Schedule C filers and Schedule F filers are afforded the same set of rules is critical.

We urge you to immediately adjust the criteria for Schedule C filers as outlined above and refrain from denying business owners the relief they need simply because of the tax forms that they file and arbitrary 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 on our economy, our American small businesses.

Sincerely,

1863 Ventures  
Access Plus Capital  
Accion Opportunity Fund  
Adirondack North Country Association  
African American Coalition of Indianapolis  
Alianza Americas  
American Business Immigration Coalition  
AmPac Business Capital  
Amplify Latinx  
Artemorpeus, Inc. d/b/a Fairmount Innovation Lab  
Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship (National ACE)  
Audacity  
Bankable  
Boston Impact Initiative  
CAMEO - California Association for MicroEnterprise Opportunity  
Carolina Community Impact, Inc.  
Carolina Small Business Development Fund  
CASA  
CDC Small Business Finance  
cdcb  
CDFI Coalition  
Center for Responsible Lending  
Central Indiana Community Foundation  
Chicago Urban League  
Chicanos Por La Causa (CPLC)  
Children's Investment Fund  
City Heights Community Development Corporation  
Colectivo de Mujeres Trasnacionales  
Colorado Enterprise Fund  
Common Future  
CommonWealth Kitchen  
Communities Unlimited, Inc.  
Community Development Partnership  
Community Development Venture Capital Alliance  
Community Reinvestment Fund, USA

Durango Unido en Chicago  
Hispanic Interest Coalition of Alabama  
Hope Enterprise Corporation/Hope Policy Institute  
Human Capital Strategies & Solutions  
Edna Martin Christian Center  
Entrepreneurship Center @CTI  
FAHE  
Franklin County Community Development Corporation  
Greater Auburn Gresham Development Corporation  
Gusto  
Human Capital Strategies & Solutions  
Illinois Business Immigration Coalition  
Impact Hub Houston  
Indiana ATM Services  
Innopower  
JPNDC  
Latino Coalition  
Latino Economic Development Center  
Local Initiatives Support Coalition (LISC)  
Main Street Alliance  
Massachusetts Association of Community Development Corporations  
Massachusetts LGBT Chamber of Commerce  
M&F Bank  
Mission Economic Development Agency (MEDA)  
Mountain BizWorks  
NAACP  
National Action Network  
National Association of Development Companies (NADCO)  
National Association for the Self-Employed  
National Association for Latino Community Asset Builders  
National Community Investment Fund  
National Cooperative Bank  
National Fair Housing Alliance  
National Urban League  
Natural Capital Investment Fund, Inc.  
New Capital  
NewVue Communities  
Next Street  
Northeastern Community Business Clinic  
NYIC  
Opportunity Finance Network  
Oweesta Corporation  
PACE Finance Corporation  
Pacific Community Ventures

Page 30 Coalition  
Partners for Rural Transformation  
Primary Care Development Corporation  
Prosperity Center  
Prosperity Now  
RCAC  
Seaway Credit Union  
Second Federal Credit Union  
Self-Help Federal Credit Union  
Self-Help Ventures Fund  
SISG  
Small Business for America's Future  
Small Business Majority  
SOURCE Entrepreneurship Center, Inc.  
South Holland Business Association  
Storie Co. Development  
The Alliance  
The Alliance for Community Development  
The Resurrection Project  
The Startup Ladies  
Uptima Entrepreneur Cooperative  
U.S. Haitian Chamber of Commerce, Inc.  
United States Hispanic Chamber of Commerce  
U.S. Black Chambers, Inc.  
Virginia Asian Chamber of Commerce  
UnidosUS  
wiseHer, Inc.  
XXcelerate

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<sup>i</sup> Census Bureau's Annual Survey of Entrepreneurs, 2016.