



Executive Summary

An Agenda for America's Economic Future

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Introduction

Small business is the backbone of the economy.

That phrase gets tossed around a lot. Too much, in fact. It's a saying that should resonate with and be at the forefront of policymakers' economic agendas, but has in many instances become little more than a feel-good bromide deployed while checking a political box.

The importance of small businesses is an economic reality and entrepreneurs deserve more than empty platitudes. Small businesses represent 99% of employer firms. They employ half of all private sector employees. They pay around 40% of U.S. private sector payroll.¹ Small businesses and entrepreneurs have long been America's engine for job growth and today more jobs are created by small businesses and the growing freelance workforce than any other way in America.

Small businesses aren't simply the backbone of the American economy; they are its foundation. Indeed, entrepreneurship is essential to ensuring a truly inclusive economy that benefits all Americans.

Nonetheless, Washington, when it's able to get anything done at all, persists in pursuing policies that favor large corporations over Main Street. And, too often small business is perceived as just another interest group, not the key to our long-term economic success and security. Worse, small business' good name is often hijacked to justify ideologically driven policies that have no benefit to, and in some cases actually harm, the real needs of America's entrepreneurs.

Contrary to a long-held misconception, small businesses are not reflexively anti-government. But, they want government to understand their needs and respond in a constructive manner—and then act on it. Small businesses continue to be misunderstood and even ignored by policymakers on both sides of the aisle. Changing this counterproductive dynamic begins with smart policies aimed at ensuring small business success in all segments of our economy.

Small Business Majority has created an economic blueprint for lawmakers and government leaders that will strengthen our economy, create jobs and solidify its base: small businesses. [The Agenda for America's Economic Future](#) includes both short and long-term policy recommendations.

The *Agenda* rests on a two-pronged foundation:

1) Ensuring an environment where small businesses will thrive based upon:

- Demand for their goods and services
- A strong infrastructure
- A level playing field
- A system that encourages prosperity for all Americans

2) Providing the resources for small businesses and entrepreneurs to be successful, including:

- Greater access to responsible credit and capital
- Availability of clear information, opportunities and programs that enable them to compete and grow
- Access to a properly-supported skilled workforce

Five Things Washington Can Do Now for Our Economy

- 1 The SEC can release final rules for crowdfunding to provide more opportunities for small businesses to access capital.
- 2 Congress can expand support for the State Small Business Initiative (SSBCI).
- 3 Congress can pass long-term reauthorization of the Export-Import Bank to ensure small businesses have access to global markets.
- 4 The Administration can create an online interface allowing small business owners to opt-in for automatic sharing of specific tax data between the IRS and online lenders, which will streamline the lending process.
- 5 The CFPB can begin to collect small business lending data as directed by the Dodd-Frank law.

¹ SBA Office of Advocacy, "The Small Business Economy 2011," http://www.sba.gov/sites/default/files/SBE_2011_2.pdf

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Access to Capital

Despite their numbers and economic importance, small business owners—particularly women, minorities and other underserved populations—face significant hurdles accessing capital. While the small business share of total bank loans neared 50% in 1995, it sunk to 30% in 2012. As part of the shift, most traditional banks of all sizes, even those offering Small Business Administration-guaranteed loans, have significantly reduced or eliminated loans below a certain threshold, typically \$250,000. Others simply won't lend to small businesses with revenue of less than \$2 million. This ends up being highly exclusionary, since 68% of small businesses seek loans of less than \$250,000.

New alternative/online lending opportunities have recently sprung up to fill this market need. This is a positive development for small businesses. However, alternative sources of financing, such as peer-to-peer lenders, merchant cash advance companies and others, operate in an almost entirely unregulated market. Some of these new lenders are behaving responsibly, but others are not—making small business owners vulnerable to predatory practices. To fully realize the economic potential of America's primary job creators, we must ensure greater access and more options for obtaining responsible capital by:



- Promoting responsible lending practices by lenders and brokers as set forth in the recently released Small Business Borrowers' Bill of Rights.
- Identifying federal agencies that can promulgate small business lending regulations under existing law, as well as looking for more expanded legislative solutions. Examples of potential policies include:
 - Examining ways to empower the Consumer Financial Protection Bureau (CFPB) to police small business lending abuses.
 - Creating guidelines for clear, transparent disclosure by alternative non-bank lenders.
 - Ensuring that lenders size financing options to fit borrowers' needs.
 - Requiring that brokers be governed by a fiduciary responsibility to borrowers.
 - Requiring that all lending be free from discrimination.
- Ensuring fair and clear regulations on crowdfunding and other non-bank, non-VC sources of capital while providing safeguards for business owners and investors. Specific actions include:
 - Directing the Securities and Exchange Commission (SEC) to issue final Title III crowdfunding rules. This would make limited private company investing accessible to average citizens, who, so far, have been largely shut out of private securities.
 - Maintaining current accredited investor requirements.
 - Establishing a small business seat at the SEC.
- Improving data sharing between the IRS and online lenders.

- Approving legislation to provide another \$1.5 billion to the State Small Business Credit Initiative (SSBCI), which funds new and existing state programs that support lending to and investment in small businesses.
- Making permanent the fee waiver on SBA-backed loans under \$150,000.
- Providing small businesses, particularly minority businesses, with increased opportunities to participate in SBA loan programs and small business development center programs.
- Ensuring that women entrepreneurs get fair access to capital.
- Increasing the artificial lending cap for credit unions from 12.25% to 27.5% of assets.
- Maintaining the regulatory oversight that is necessary following the financial crisis, but revising regulations for community bank and small credit unions.
- Continuing to implement financial reforms governing the transparency and fairness of consumer credit.
- Enacting policies to strengthen and expand community banks, which currently provide more than half of small business lending.
- Returning to the previous cap of \$2 million on 7(a) loans and adopting other reforms to ensure that federal loan guarantees provide more support to very small businesses.
- Establishing public loan funds that address specific credit needs.
- Requiring banks and the SBA, after turning down small businesses that want a loan, to refer rejected applicants to reputable alternative lenders.
- Directing the CFPB to begin collecting small business lending data as required by the Dodd-Frank law.

Tax Policy

The nation's tax code must create opportunities for small businesses and encourage startups and entrepreneurs. To do that, we must take steps to level the playing field, simplify the tax code and ensure fairness. This includes:

- Eliminating wasteful corporate loopholes while lowering corporate tax rates in a manner that ensures a net revenue increase to bring down our deficit and fund key programs.
- Ensuring parity between online and bricks-and-mortar businesses with a reasonable and fair Internet sales tax solution.
- Passing the America's Small Business Tax Relief Act of 2015, which would permanently raise the small business expensing (sometimes called Section 179 expensing) level to \$500,000, and allow small businesses to deduct up-front the cost of purchasing new equipment, software and property.
- Passing the Small Business Tax Credit Accessibility Act, which would simplify and expand the small business tax credit created by the Affordable Care Act—helping more small businesses qualify for and utilize it.



- Passing healthcare tax equity for the self-employed so that freelancers can deduct their healthcare expenses from their FICA tax obligations.
- Cracking down on the ability of large corporations to reduce their tax burden simply by moving their headquarters outside the country.
- Creating tax incentives for angel investors. More than half of states offer tax incentives for angel investors. Federal support of these efforts would encourage more local and state governments to consider such measures.
- Introducing legislation that would allow growing small- and medium-sized businesses temporarily to defer a portion of their federal income tax liability so they can continue making new investments in their businesses.
- Reducing the deficit and ending sequestration. The president's proposed budget for 2016 seeks to end sequestration by cutting inefficient spending and reforming the tax code, which would be a step in the right direction for entrepreneurs.
- Creating tax-exempt small business start-up accounts to pay for start-up expenses by passing the Incentivize Growth Now In Tomorrow's Entrepreneurs Act of 2015 (H.R. 253).

Healthcare

Implementation of the Affordable Care Act has removed a significant impediment to entrepreneurship. Healthcare coverage is no longer tied to a job working for someone else. Rather, entrepreneurs can pursue their dream knowing that they will have access to affordable healthcare coverage. Additionally, small business owners now have more options to provide affordable coverage options for their employees, allowing them to compete for skilled workers. But, we must continue to strengthen the ACA, instead of chipping away at it and delaying implementation of key provisions, by:

- Ensuring the transition to expand the small group market to include firms with 50-99 employees is smooth and proceeds on time and in accordance with the law.
- Fully implementing employee choice in all of the Small Business Health Options Program (SHOP) marketplaces.
- Simplifying and expanding the small business healthcare tax credit.
- Continuing to support and fully fund maximum outreach efforts to communicate the benefits of the individual healthcare insurance marketplaces for those businesses and self-employed people who are not in a position to purchase employer-sponsored coverage.
- Passing healthcare tax equity for the self-employed.



Infrastructure

Infrastructure is critical to driving business growth, entrepreneurship and job creation. Infrastructure investments like broadband support the growth of a vibrant freelance and entrepreneurial economy that relies on the Internet for access to markets, customers and services to support operations. Likewise, investing in the nation's roads, bridges and other physical infrastructure also supports access, while at

the same time creating demand opportunities for the goods and services small businesses have to sell. We must have a national infrastructure investment strategy that includes:

- Passing the Community Broadband Act (S. 240), which seeks to help local towns set up public alternatives to big Internet providers such as Comcast or Verizon.
- Expanding access to shared workspaces, accelerators and incubators that provide the physical and operational infrastructure for entrepreneurs to start and grow new businesses.
- Creating a sustainable infrastructure financing entity to drive continued investment from the public and private sectors into the nation's roads, bridges and other infrastructure.
- Reauthorizing long-term funding for the Highway Trust Fund.

Freelance Economy

Freelance entrepreneurship is a potent force for positive change in every aspect of creating and sustaining a thriving society and economy—from addressing long-term unemployment to providing high quality jobs to helping revitalize distressed neighborhoods. So long as it is not merely a way to avoid a W-2 employment relationship, a healthy freelance ecosystem can provide an innovative and singular pathway for women, minorities, youth, veterans, disabled people and immigrants to enter the mainstream American economy and build income and independence. We need to do all we can to ensure this economy flourishes by:

- Identifying and fixing tax issues unique to freelancers.
- Passing healthcare tax equity for the self-employed.
- Fully funding outreach efforts to communicate the benefits of the individual healthcare insurance marketplaces to the self-employed.
- Passing the FAMILY Act to provide partial wage replacement for the self-employed to handle serious health conditions for themselves and family members.
- Supporting easy-to-implement mechanisms for the self-employed to access family/medical leave and retirement benefits.
- Passing the Community Broadband Act.
- Expanding access to shared workspaces, accelerators and incubators that provide the physical and operational infrastructure for entrepreneurs to start and grow new businesses.

Minimum Wage

Creating a fair minimum wage is essential to the vibrancy of the small business economy by ensuring the demand for small business products and services, reducing the burden on public assistance programs and leveling the playing field for small businesses that understand the need for properly-compensated workers. Policy changes include:

- Increasing the national minimum wage to \$12 per hour.
- Increasing state and local minimum wages to sustainable levels consistent with the cost of living in those communities.

Workforce Training and Retention

Small businesses face particular challenges when it comes to finding and retaining skilled workers. Not only do they lack the robust resources to create job-specific training programs, but they also are limited in their capacity to search and compete for or relocate the workers for the jobs they need to fill. We need to support strategies and solutions that leverage education and training resources at the local and regional level that are closely aligned with the needs of small businesses. This includes:

- Expanding internship and mentoring programs to create career paths for youth, and ensure access to skilled, entry-level workers for small businesses.
- Supporting regional economic clusters/partnerships that include educational institutions with the resources to provide industry-focused training and skills development.
- Supporting easy-to-implement mechanisms for small business employees to access family/medical leave and retirement benefits (such as the president's plan to expand retirement savings plans to U.S. workers).
- Passing the FAMILY Act to provide partial wage replacement for small business employees to handle serious health conditions for themselves and family members.
- Implementing the president's plan to make two years of community college and technical school free to responsible students, which would help address our nation's crippling youth unemployment, and small business owners' struggle to find qualified workers.
- Implementing studies that ensure Workforce Innovation & Opportunity Act (WIOA) programs are meeting small business and worker needs.
- Supporting easy-to-implement mechanisms for the self-employed to access family/medical leave and retirement benefits.



Clean Energy Economy

Investments in clean renewable energy and energy efficiency are seen by a majority of small business owners as important to boosting our economy and creating jobs. Not only do these investments drive innovation and cost savings, but they also create growth opportunities, not just in energy-related sectors, but also other industries. Additionally, these investments help address small business disruptions stemming from extreme weather. Our national economic growth strategy must invest in a clean energy economy by:

- Ensuring smart implementation of the Environmental Protection Agency's Clean Power Plan in every state to maximize small business benefits.
- Supporting state efforts to maintain and expand renewable energy and energy efficiency standards.
- Strengthening government tracking and data on the economic impact of extreme weather incidents on small businesses to ensure effective assistance and response programs, while also providing support to states and localities to help small business deal with extreme weather.

- Strengthening investments by federal agencies to spur growth and support small businesses that are key players in the clean energy economy’s supply chain through economic clusters and other related programs.

Immigration Reform

While comprehensive immigration reform is a goal supported by Americans and small business owners across the political spectrum, its enactment has continued to be stifled in our current political environment. This inaction has created challenges for small businesses and reinforced barriers to growth. We must ensure a stable long-term, high-skilled workforce and recognize that immigrants create small businesses and the jobs that accompany them at twice the national average², by:

- Passing a comprehensive immigration law guaranteeing eventual citizenship for those who play by the rules and contribute to our economic success, coupled with appropriate and reasonable employment verification provisions.
- Supporting the implementation of the president’s recent executive orders and expanding the existing H-1B visa program to allow more visas for low-skilled workers.

Exports

Small and medium-sized firms account for 98% of all U.S. exporters, but represent less than one-third of the known value of exports of U.S. goods, according to the U.S. International Trade Administration. Foreign markets represent a significant growth opportunity for many U.S. small businesses and they must have the tools and resources needed to take advantage of this potential. We must ensure small businesses have the opportunity to compete in the global market by:

- Long-term reauthorization of the Export-Import Bank, recognizing that nearly 90% of its transactions in 2014 were to support small businesses.
- Ensuring that small businesses in every state can access resources to help them export by reauthorizing the State Trade and Export Promotion (STEP) program and by continuing to strengthen export counseling through locally- and regionally-based organizations.



In the face of the Ex-Im’s charter expiring on June 30, 2015, small business owners are asking Congress to [reauthorize the Export-Import Bank](#) now.

² The Partnership for a New American Economy, “Open for Business: How Immigrants are Driving Small Business Creation in the United States,” August, 2012; <http://www.renewoureconomy.org/sites/all/themes/pnae/openforbusiness.pdf>