

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 revenue¹—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
Children's Investment Fund
City Heights Community Development Corporation
Colorado Enterprise Fund
Common Future
CommonWealth Kitchen
Communities Unlimited, Inc.
Community Development Partnership
Community Development Venture Capital Alliance
Community Reinvestment Fund, USA
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
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)
NAACP
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
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

ⁱ Census Bureau's Annual Survey of Entrepreneurs, 2016.