



**STATEMENT FOR THE RECORD
BEFORE THE U.S. HOUSE COMMITTEE ON WAYS AND MEANS FIELD HEARING
ON “THE STATE OF THE AMERICAN ECONOMY: THE SOUTH”**

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Dear Chairman Smith, Ranking Member Neal, and members of the House Committee on Ways and Means:

My name is Rachel Shanklin. I am the Georgia Director and National Women’s Entrepreneurship Director for [Small Business Majority](#), a national small business organization that empowers America’s diverse entrepreneurs to build a thriving and equitable economy. We engage our network of more than 85,000 small businesses and 1,500 business and community organizations to advocate for public policy solutions and deliver resources to entrepreneurs that promote equitable small business growth.

Georgia has a strong and diverse economy, which can provide opportunities for small businesses. The state is home to many large corporations and has a thriving technology sector, but there are also many small businesses that contribute to the state’s economy. The state’s 1.2 million small businesses comprise 99.6% of all businesses in the state, and they employ 1.7 million residents—nearly half of all Georgia employees.

As a leading representative of America’s 33 million small businesses and the 1.2 million small businesses in Georgia, I am pleased to provide testimony today on the importance of enacting robust and inclusive legislation that will continue to center entrepreneurship as the foundation of our economy.

Recent policy solutions that have fostered small business growth

It’s no secret that small businesses have had a tumultuous experience over the last three years. The COVID-19 pandemic has underscored how local, state and federal governments can play a role in supporting the small business ecosystem. The following are recently enacted policy solutions that helped small businesses navigate myriad challenges brought on by the pandemic.

CARES Act

As you know, the CARES Act allocated billions of dollars through the Paycheck Protection Program and the Economic Injury Disaster Loan program, and the impact of these investments was significant. In fact, a Small Business Majority survey conducted in July 2020 found that [68% of small businesses](#) in our network received a PPP loan. And while some of these federal relief programs had programmatic issues, we’ve heard from countless small businesses that it helped them maintain their employees on payroll and keep their doors open.

American Rescue Plan

The American Rescue Plan included several provisions essential to small business survival, particularly grants for the hardest-hit small businesses. The programs provided flexible emergency relief funding, low-interest small business loans and business assistance programs. What’s more, the ARP strengthened access to healthcare and lowered costs for small businesses and their employees. That was especially important at the time because 1 in 3 small businesses reported it was a challenge to get health insurance coverage for themselves and their employees during the pandemic.

Similarly, the ARP allocated funding to reauthorize the State Small Business Credit Initiative (SSBCI), a program that was originally developed in 2011 and supported nearly \$8 billion in new small business lending and investment in its first five years. ARP's \$10 billion allocation builds upon this successful model and also includes new funding for technical assistance providers, an essential component to any small business lending program.

In addition, the ARP expanded the federal Earned Income Tax Credit for private sector workers without children for one year. This is particularly important for low to moderate-income small business owners and their employees, as it will boost their financial security and put money back into the economy.

Georgia has been allocated a total potential funding amount of [\\$199,616,860](#). These funds will address the following areas:

- Outreach efforts to support business enterprises owned and operated by socially and economically disadvantaged individuals.
- Outreach to very small businesses (less than 10 employees).
- Reasonable expectation to achieve a 10:1 leverage of private funds.
- Ability to deploy funds in a timely manner.

Inflation Reduction Act

The Inflation Reduction Act extended the ACA's premium subsidies through 2025, which increases access to healthcare coverage, especially among those still financially impacted by the effects of the pandemic. The Act also ensures that premium costs remain low and that sole proprietors, who make up a large share of the enrollees in the marketplace, can access affordable coverage for them and their families.

In addition, the Act includes measures to level the playing field through tax policies. For too long, our nation's tax system has benefited the wealthiest Americans and large corporations at the expense of small businesses, their employees and independent entrepreneurs. Establishing the 15% corporate minimum tax on corporations with profits above \$1 billion and appropriating enforcement dollars to the Internal Revenue Service (IRS) are commonsense revenue raisers that will support small businesses across the country.

Additionally, the Act allocated funding to enforce the tax code and hold large corporations accountable, which is essential to our small business ecosystem. Small businesses [strongly support](#) efforts to close tax loopholes and ensure that larger corporations pay their fair share.

The need for a level playing field, quality jobs and essential benefits

Georgia's small business owners want a level playing field on which to do business. To foster an inclusive small business community, it's important to enact measures that will enable small businesses to provide essential benefits and create quality jobs.

For more than a decade, we have examined the reality of how policies affect America's Main Street businesses and effectively advocated for policies that support a fair, resilient and inclusive economy. Our work has combined these analyses with scientific research to understand small business needs, challenges and opportunities.

In Georgia we have found that:

- Nearly [6 in 10 small business owners](#) support establishing a state Earned Income Tax Credit (EITC) program for low-income employees and self-employed business owners, modeled after the federal EITC program.
- Small business owners agree that Clean Slate policies will help boost labor recruitment. A robust [86% of respondents](#) agree that Clean Slate policies will open a pool of job applicants that deserve a second chance, which will benefit small businesses in their efforts to hire and recruit employees.

- Moreover, [59% of small business owners](#) support Medicaid expansion. Passing legislation that would mitigate loss of Medicaid coverage would help an estimated 554,000 Georgians who could lose health insurance coverage during the unwinding process.

As you hear from legislators and small business advocates today, you have a unique opportunity to address small business concerns and needs and recognize the policies that continue to boost the small business community. This is why Small Business Majority continues to advocate for the following policies, in the state and across the country, which will promote equity and inclusion to support small businesses.

Leveling the playing field

Small businesses are the backbone of our nation’s economy; they employ nearly half the private sector workforce and create two-thirds of all new jobs. However, corporate consolidations, under-regulated technology platforms, pernicious business practices and an unfair tax code stifle competition and put small businesses at a distinct disadvantage. Small businesses face unfair competition challenges across multiple industries—technology and non-technology alike. It’s time to level the playing field for small businesses and restore our economy from the bottom up through the following recommendations.

Enact fair and equitable tax policies

- Enact the Biden Administration’s proposal to increase investments to support critical programs and reduce the deficit by increasing the top marginal tax rate on the very wealthy. Only [2%](#) of businesses with pass-through income pay at the top marginal rate and [two-thirds](#) of small businesses support raising the top rate to fund important programs.
- Do not extend Section 199A tax deductions established by the 2017 Tax Cuts and Jobs Act’s provision that allows businesses to deduct 20% of pass-through business income. Almost 70% of the total 199A benefit flows to approximately 4% of pass-through businesses.
 - If Congress is truly interested in providing tax benefits to the nation’s smallest, most under-resourced businesses, there are myriad other ways to provide bottom-up solutions. Instead of the current law that provides most of the benefit to an elite few, Congress could instead allow the recipients of pass-through income to deduct the first \$15,000, phasing out the benefit for business owners making between \$100,000 and \$150,000. This demonstrates a way to provide a benefit to the smallest businesses that need help the most, rather than favoring the very wealthy with limited benefits trickling down to the rest of businesses.
- Maintain full funding of the IRS to ensure that small businesses have access to information and services from the now-understaffed agency and to improve revenue collection from large corporations and the very wealthy. [Almost two-thirds](#) of small business owners support expanded IRS funding.

Establish an Earned Income Tax Credit (EITC) in Georgia

The Earned Income Tax Credit (EITC) is a federal benefit that reduces the amount of income tax owed by low to middle-income tax filers. Credits are available to families earning up to about \$60,000 annually, and if the credit a recipient is entitled to far exceeds the amount they owe in income taxes, the remainder is provided as a tax refund. Thirty states have created their own versions of the EITC to further reduce the amount of taxes that low and middle-income residents pay.

Georgia should establish an Earned Income Tax Credit (EITC). This credit would bolster the economic security of low to moderate-income entrepreneurs and small business employees. This is particularly important to Georgia’s economic success because the majority of small businesses are solo enterprises, and the median income for self-employed individuals at their own unincorporated firms was just \$25,064 in 2018, according to the U.S. Small Business Administration.

Make the Expanded Child Tax Credit (CTC) Permanent

The expanded CTC can help reduce the financial burden on working families with children, which would increase disposable income that can be spent on goods and services provided by small businesses. This can in turn boost economic growth and stimulate job creation. In addition, the expanded CTC can help small business owners attract and retain employees who are parents. Offering family-friendly benefits like the CTC can help small businesses to compete with larger companies for talent and create a more loyal and productive workforce.

Quality jobs and essential benefits

A robust benefits infrastructure means access to affordable healthcare, paid family and medical leave, childcare and retirement savings. Without these support structures, small businesses cannot properly compete or contribute to their local and state economies in a meaningful way. Main Street small businesses still require policy solutions that will enhance their local economies, and therefore their own success. The following recommendations are ways to ensure small businesses can offer quality jobs and essential benefits.

Healthcare

Lowering prices for hospital visits, physician services and prescription drugs to keep costs stable for small businesses

- We recommend extending Medicare pharmaceutical drug inflation rebates that were made available under the Inflation Reduction Act to the private market, which penalizes drug manufacturers for raising prices faster than inflation. This will also discourage manufacturers from increasing prices in the commercial market to offset lower prescription drug prices negotiated by Medicare.
- The Georgia legislature should pass the “Lowering Prescription Drug Costs Act” (HB 343), which would require pharmacy benefit managers to calculate defined cost-sharing for insured populations at the point of sale and would require half of the value of those rebates to be passed along to Georgia patients on many commercial insurance plans.
- Stop abusive hospital pricing by banning predatory billing practices that are not disclosed and justified.

Expanding access to affordable healthcare coverage

- We encourage Georgia to expand Medicaid eligibility. Closing Georgia’s coverage gap would extend health insurance to more than 500,000 Georgians and create 56,000 new jobs.
- Make the premium assistance provided by the Inflation Reduction Act permanent, which has increased healthcare affordability for many entrepreneurs and Georgians alike.
- Repeal regulations that enabled health plans to not comply with the ACA, such as short-term plans and association health plans.

Paid family and medical leave

- We need a national paid family and medical leave policy to support small businesses that don’t have the resources to provide robust benefits. In the absence of a national program, Georgia must establish a state-run paid family and medical leave insurance program that would allow small business employees and the self-employed to access parental leave or to handle serious health conditions for themselves and family members. Such programs have been implemented in several states, and research has found they have not placed a burden on small businesses, allowing them to facilitate access to this benefit that small businesses typically cannot afford.
- These programs are strongly supported by small businesses. Small Business Majority has surveyed small business owners about national and state paid family leave programs for years, and our [research](#) has found they are strongly supportive of these programs.

- Paid leave has broad bipartisan support in Georgia, with [80-95%](#) of Georgians supporting paid leave across all circumstances.

Childcare

- Policymakers must implement policies at the national and state level that would help more working parents access affordable childcare, understanding that this benefit is essential to retaining a skilled workforce. This could include expanding and improving income tax credits for childcare expenses and subsidies for childcare providers.

Retirement

- We encourage policymakers to support federal and state efforts to establish publicly administered retirement savings ("Secure Choice") programs to help more small businesses and their employees access retirement plans. Additionally, we must allow self-employed entrepreneurs to access Secure Choice programs.
- Sixteen states have already passed laws to implement these types of programs, ensuring that millions of small businesses and their employees can save for retirement.

Workforce

- 74% of Georgia small businesses recently reported that they are likely to hire in the next six months; however, more than half of respondents say it's hard to find quality candidates and 44% say that jobseekers are expecting higher wages.
- Advancing Clean Slate policies at the federal and state levels will help ensure that small businesses can tap into an underutilized workforce comprised of justice-impacted individuals who have remained crime-free for a period of time for non-sexual and non-violent crimes.
 - Small business owners agree that Clean Slate policies will help boost labor recruitment. A robust 86% of respondents agree that Clean Slate policies will open a pool of job applicants that deserve a second chance, which will benefit small businesses in their efforts to hire and recruit employees.

Conclusion

I would like to leave you with a story of two business owners in our network. Matt and Elaine Weyandt are the owners of Xocolatl, a gourmet chocolate shop based in Atlanta. In their efforts to recruit and retain a talented workforce, Matt and Elaine offer an extensive array of benefits to their employees, including the coverage of 65% of healthcare premiums, and offer paid time off and parental leave, among other benefits.

Although these costs are a necessary investment to stay competitive in the labor market, they are more than willing to provide critical benefits to their employees, which became especially important during the pandemic. Matt and Elaine access health coverage through [Healthcare.gov](#) because it provides them with more affordable options. Finding access to quality and affordable healthcare may seem difficult these days, especially in Georgia, [considered among the 10 worst states for healthcare](#).

Small businesses need a modernized and robust benefits infrastructure that promotes wealth creation, financial security and quality jobs for those who do not work for large organizations and the self-employed. The policies outlined above are clear examples of programs that are essential to the recovery of small businesses, as well as their ability to compete with larger businesses. A healthy entrepreneurial ecosystem provides innovative pathways for women, people of color, veterans, immigrants, and those in rural communities to enter the American economy and build income and independence. We encourage policymakers to continue to support such policies to empower America's diverse entrepreneurs to build a thriving and equitable economy.