



The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, The Capitol
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Speaker Pelosi and Leaders McConnell, Schumer and McCarthy:

On behalf of the National Small Business Association (NSBA), the nation's first small-business advocacy organization, with more than 65,000 small-business members representing every state and every industry across the country, thank you for your leadership in providing thousands of small businesses with meaningful relief as they struggle to survive the long-term effects of the COVID-19 pandemic. However, COVID-19 continues to wreak widespread economic hardship and insecurity among small businesses as a result of the near-constant changing status of the pandemic.

We appreciate Congress and the administration moving quickly to mitigate the threats COVID-19 poses to public health, our economy, and workers across the country. Yet, one of the more economically hard-hit groups is America's small-business community; not just the owners, but their employees and the countless families that depend on small businesses. NSBA recently released a business impact poll on COVID-19, which concluded that the majority of small businesses – 69 percent – say they are still very concerned about COVID-19. Just one-third of small businesses are very confident they will fully recover from the pandemic and economic downturn and two-in-three small businesses are still experiencing reduced customer demand for their products and services.

Targeted Small Business Aid

As you consider a Phase Four stimulus package more must be done to aid these already struggling small businesses. Further actions are needed to strengthen the economy and specifically improve and protect small-business cash-flow. The cash-crunch that many small businesses are now facing is forcing otherwise successful companies to close, further deepening

an economic downturn. Maintaining small business cash-flow and liquidity is key to enabling successful small businesses to get to the other side of this crisis.

Eighty percent of respondents from the NSBA business impact poll applied for some kind of federal lending program, and among those, 96 percent were approved for either an Economic Injury Disaster Loan (EIDL) or Paycheck Protection Program (PPP) loan, or both. While more businesses have been approved in the last two months of the program, the length of time it took to receive funds has been significant: 85 percent say they waited more than 15 days between their submission and receiving funds.

With the success of the PPP lending program, an internal poll of NSBA leadership found that, overall on a scale of 1 to 5, with 5 being the most important, the PPP loan program scored a 4.2. NSBA leadership strongly supports another round of funding through the inclusion of the Prioritized Paycheck Protection Program legislation into any Phase Four plan. The Prioritized Paycheck Protection Program Act (P4) would authorize another round of funding for companies with fewer than 100 workers that saw revenue drop by at least half due to the pandemic and also expect to exhaust their initial PPP loans. Millions of small businesses still need assistance which is why another round of PPP funding will give employers more time and flexibility to use the money. It is not just the survival of the business that is impacted but the livelihoods of their employees, their families and the communities they serve.

Along with authorizing new lending under PPP, NSBA supports the original Congressional intent of allowing forgiven PPP expenses to be deductible as ordinary business expenses. Guidance released by the IRS which interprets PPP funds as taxable income clearly goes against the intention of Congress in drafting those portions of the CARES Act. By disallowing normal business deductions, the IRS is, in effect, taxing forgiven PPP dollars and underhandedly reducing the actual amount of aid extended to small businesses. We urge you to support the inclusion of measures such as the Small Business Expense Protection Act of 2020 (S. 3612) in the Phase Four proposal.

Payroll Tax Waiver

NSBA leadership supports at least some level of waiver for employers in the next stimulus package to be extended either through the end of 2020 or through June 2021. A payroll tax cut can help struggling small businesses save money and potentially hire more workers. And the impact on those who are self-employed would be the greatest since they pay both the employee and the employer portions of FICA taxes.

In an economy where credit will continue to be tight, lower payroll tax rates can provide immediate cash flow to smaller companies. This is money entrepreneurs can use to take advantage of business opportunities – leading to expanded business, more hiring, and investment in equipment. Failing to extend a payroll tax cut to employers could result in even less availability of financing – at exactly the wrong time.

NSBA urges Congress to enact payroll tax relief that addresses both employer and employee rates. Such an approach is much more powerful because it puts money in the pockets of workers and consumers, and it puts cash in the hands of small businesses to grow economic opportunity. Without both of these pieces, the rate reductions are far less likely to promote strong economic growth.

Expanding Employee Retention Tax Credit

Building on the Employee Retention Tax Credit (ERTC) provision included in the CARES Act (Section 2301), which provided an effective \$5,000 refundable tax credit to employers negatively impacted by the virus, there is an overwhelming majority support for expanding the ERTC amongst NSBA's members.

NSBA is a strong proponent of the Jumpstarting Our Businesses' Success Credit (JOBS Credit) Act of 2020 (H.R. 6776) which includes a number of policy enhancements that aims to expand, update and improve this important tax credit to assist a much greater number of small businesses. We encourage you to include this enhancement in future legislation enacted to address the COVID-19 pandemic.

Additionally, the CARES Act prohibited an employer from receiving both a PPP loan and an ERTC. NSBA supports improved coordination between the ERTC and the PPP so employers can be eligible for both programs, but with guardrails in place to prevent "double dipping."

Targeted Liability Relief

U.S. businesses are working hard to take measures to protect their employees and customers amid the COVID-19 crisis, however the risk of lawsuits poses a significant barrier in their ability to bounce back from the economic crisis. As businesses start to reopen, employers simply want to know that if they take reasonable steps to follow public health guidelines, they will be protected against needless lawsuits. There is very strong support from NSBA leadership for liability relief in order to provide businesses a safe harbor from unwarranted lawsuits.

NSBA supports measures that provide temporary liability protections for businesses that work to follow applicable public health guidelines against COVID-19 exposure claims. In addition to being temporary, we believe that these liability protections should be limited in scope and preserve recourse for those harmed by truly bad actors who engage in egregious misconduct.

Ease Regulatory Impediments

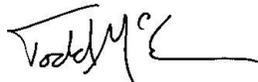
The nimbleness and improvisation that may be required to maintain operations in many small companies could create uncertainty about regulatory compliance. Many small businesses might also be forced to operate in the absence of key employees. Governments at all levels should create "grace periods" and/or an enforcement moratorium for rule violations that do not

immediately endanger health and safety and where companies are acting in good faith. Where possible, filing deadlines should be extended.

Small-business owners are inherently optimistic and confident in their ability to run their business, however economic insecurity can become an insurmountable hurdle for many. Most small businesses exist on very narrow margins and simply do not have the scope necessary to juggle employees and finances around to float the business indefinitely absent revenues coming in. If small-business owners have little faith in the ability for our country to recover, they will be hesitant to grow, invest in their businesses and create jobs.

Thank you for your consideration and continued support for America's small businesses during this challenging time.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd McCracken". The signature is stylized with a large, sweeping "M" and "C".

Todd McCracken
President & CEO