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Dear Representative:

On behalf of NFIB, the nation's leading small business advocacy organization, I write in strong opposition of H.R. 1319, the *American Rescue Plan Act of 2021*. This legislation currently includes the *Raise the Wage Act of 2021*, which immediately increases the federal minimum wage by more than 30%, dramatically increases the federal minimum wage to \$15 per hour in four years, automatically increases the federal minimum wage threshold every subsequent year, and eliminates the federal minimum tipped wage. NFIB strongly opposes inclusion of this provision in the *American Rescue Plan Act of 2021* because it would hurt small employers and employees who have been hard hit by the pandemic.¹ **The *American Rescue Plan Act of 2021* will be considered an NFIB Key Vote for the 117th Congress.**

NFIB Research Center surveys paint a stark picture of the current situation that small businesses are facing. According to NFIB's latest monthly survey, small business optimism dropped further below its historic 47-year average. Small business owners expecting better business conditions over the next six months fell to the lowest level since November 2013. The net percent of owners expecting better business conditions has fallen 55 points over the past four months.² Many small businesses are still struggling to survive as economic conditions and business restrictions remain serious challenges, with 15% reporting that they will have to close their doors if current economic conditions do not improve over the next six months.³

Nearly three-quarters (74%) of small business owners reported that increasing the federal minimum wage to \$15 per hour would negatively impact their business.⁴ Of those impacted, 58% report that they would reduce the number of employees, 60% would reduce employees' hours, and 67% would leave open positions unfilled.

The *Raise the Wage Act of 2021* will eliminate hundreds of thousands of small business jobs. The Congressional Budget Office (CBO) confirms that this legislation will damage the small business economy, estimating that employment will be reduced by 1.4 million workers.⁵ The NFIB Research Center estimated that similar legislation will cost the economy 1.6 million jobs,

¹ Inclusion of the *Raise the Wage Act of 2021* within the *American Rescue Plan Act of 2021* directly contradicts an amendment to the budget resolution agreed to by both Houses, opposing an increase to the federal minimum wage during a global pandemic. Amendment 767 to S. Con. Res. 5, offered by Senator Joni Ernst (R-IA).

² William C. Dunkelberg and Holly Wade, *NFIB Small Business Economic Trends*, NFIB Research Center, January 2021, <https://www.nfib.com/surveys/small-business-economic-trends/>.

³ Holly Wade, *PPP, ERTC, the Economy, the Vaccine, and Minimum Wage*, NFIB Research Center, January 28-31, 2021, <https://assets.nfib.com/nfibcom/Covid-19-15-Questionnaire.pdf>.

⁴ *Ibid.*

⁵ Congressional Budget Office, *The Budgetary Effects of the Raise the Wage Act of 2021*, February 2021, <https://www.cbo.gov/system/files/2021-02/56975-Minimum-Wage.pdf>.

reduce real Gross Domestic Product (GDP) by over \$980 billion, and reduce economic output by more than \$2 trillion by 2029.⁶

Small businesses employ nearly half of the private-sector workforce. Yet, the negative effects of the proposed legislation will fall disproportionately on small employers and their workers as businesses with fewer than 500 employees will account for 57% of job losses (over 900,000 lost jobs) and businesses with fewer than 100 employees will account for 43% of job losses (nearly 700,000 jobs).⁷ Small businesses are far less likely than larger businesses to have cash reserves or profit margins to absorb the increase in labor costs.

NFIB is also concerned that expanded federal pandemic unemployment compensation set at high levels may lead to unintended consequences. Last year, the \$600 per week supplement created tension between small business owners and employees in certain instances and conflicted with the goals of the Paycheck Protection Program (PPP) of returning workers to payroll. This benefit presented a significant challenge to some small business owners trying to fill open positions. About one-third (32%) of small business owners reported that the extra \$600 per week hurt their business by making it harder to hire or re-hire workers.⁸ CBO confirms the provisions may make it difficult for employers to fill open positions, "The expansion and extension of unemployment insurance benefits could increase the unemployment rate as well as decrease labor force participation throughout the period for which those benefits would be in place."⁹ Finding qualified employees continues to be small business owners' top business problem.

At a time when small businesses are confronted with the worst pandemic in more than 100 years, Congress should not saddle them with a costly new mandate that will further damage the fragile economic recovery. While this legislation contains some temporary tax incentives, like the extension of the Employee Retention Tax Credit and paid leave tax credit, that may help with short-term cash flow needs of small businesses, the benefits are outweighed by the costs of a permanently increase federal minimum wage.

NFIB opposes H.R. 1319, the *American Rescue Plan Act of 2021* and will consider the legislation an NFIB Key Vote for the 117th Congress.

Sincerely,



Kevin Kuhlman
Vice President, Federal Government Relations
NFIB

⁶ Michael J. Chow and Paul Bettencourt, *Economic Effects of Enacting the Raise the Wage Act on Small Businesses and the U.S. Economy*, NFIB Research Center, January 25, 2019, https://www.nfib.com/assets/NFIB_BSIM_RAISETHEWAGEACT-1.pdf.

⁷ *Ibid.*

⁸ Holly Wade, *Covid-19 Small Business Survey (11) - PPP, EIDL, Unemployment Insurance, the Economy*, NFIB Research Center, August 17-18, 2020, <https://assets.nfib.com/nfibcom/Covid-19-11-Questionnaire-and-Write-up-FINAL.pdf>.

⁹ Congressional Budget Office, *Reconciliation Recommendations of the House Committee on Ways and Means*, February 17, 2021, <https://www.cbo.gov/system/files/2021-02/hwaysandmeansreconciliation.pdf>.