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March 10, 2021

The Honorable Nydia M. Velázquez  
Chairwoman  
Committee on Small Business  
U.S. House of Representatives  
2361 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Blaine Luetkemeyer  
Ranking Member  
Committee on Small Business  
U.S. House of Representatives  
2069 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer:

On behalf of NFIB, the nation's leading small business advocacy organization, thank you for holding this important hearing titled "*The Next Steps for the Paycheck Protection Program.*" The Paycheck Protection Program (PPP) has served as a vital financial assistance tool for over five million of our nation's small businesses. NFIB appreciates your leadership, which has been critical to making this program a success.

While the ramping up of COVID-19 vaccinations across the country is encouraging, NFIB research continues to demonstrate that it remains a challenging time for our nation's small businesses. According to NFIB's latest monthly survey released yesterday, small business optimism improved slightly but still remains below its historic 47-year average. Small business owners expecting better business conditions over the next six months increased four points but remains at a net negative 19%, a poor reading.<sup>1</sup> The economic recovery continues to be uneven for small businesses, especially those still managing state and local regulations and restrictions, with 15% recently reporting that they will have to close their doors if current economic conditions do not improve over the next six months.<sup>2</sup>

The PPP will continue to play a vital role for many small businesses to keep employees on payroll and assist with certain business expenses. To that end, several additional legislative and regulatory modifications to the program will help our nation's small businesses during this

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<sup>1</sup> William C. Dunkelberg and Holly Wade, *NFIB Small Business Economic Trends*, NFIB Research Center, February 2021, <https://www.nfib.com/surveys/small-business-economic-trends/>.

<sup>2</sup> Holly Wade, *Covid-19 Small Business Survey (15) – 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](https://assets.nfib.com/nfibcom/Covid-19-15-Questionnaire_.pdf).

important period of transition. As the committee looks to next steps for PPP, NFIB submits the following priorities and recommendations:

1. Extend the authorization for PPP beyond March 31, 2021
  2. Align the forgiveness process for loans under \$150,000 with Congressional intent
  3. Relax the qualifying quarter requirement to access second draw loans
  4. Allow self-employed individuals that applied for a PPP loan prior to the SBA's March 3, 2021 interim final rule to reapply for a larger loan amount
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1. Extend the authorization for PPP beyond March 31

As discussed above, economic conditions remain challenging for small businesses and will likely remain so well beyond the end of this month when PPP's authorization is presently scheduled to expire. For that reason, it is NFIB's belief that the current timeline for access to the PPP program is too truncated and does not make sense given the state of economic recovery.

According to NFIB research, about 30% of small businesses who did not previously receive a first-draw PPP loan have either applied, are planning to apply, or are considering applying. Similarly, of those small business owners who received a first-draw PPP loan in 2020, 30% have already applied for a second-draw PPP loan, 11% are planning to apply for one, and another 12% are considering whether to apply. These numbers generally align with previous surveys that found about half of small business owners anticipated needing additional financial support over the next 12 months.<sup>3</sup> This research indicates that small business demand for additional PPP support continues to be substantial with a number of small businesses still assessing their needs in light of ever-changing circumstances on the state and local level.

Unfortunately, as many small businesses continue to evaluate their needs, the timeframe for making decisions regarding a first or second draw PPP loan remains short. As you are aware, access to PPP did not become available again following passage of the *Consolidated Appropriations Act of 2021* until January 11, 2021 for first round loans and January 13, 2021 for second round loans. The Biden Administration's 14-day exclusivity period for businesses and nonprofits with fewer than 20 employees and other reforms broadening access only began on February 24, 2021. On top of already tight timelines, these resources may only be available for a very short window before the authorization expires.

Much as Congress did in May of last year with the passage of H.R. 7010, the *Paycheck Protection Program Flexibility Act of 2020*, it now makes sense to extend the PPP program authorization to allow more time for businesses to have access to this vital program. NFIB requests that the

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<sup>3</sup> Holly Wade, *Covid-19 Small Business Survey (15) – 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](https://assets.nfib.com/nfibcom/Covid-19-15-Questionnaire_.pdf)

committee come together and pass legislation extending the authorization of PPP to allow small businesses additional time to assess their needs and access the program.

2. Align the forgiveness process for loans under \$150,000 with Congressional intent

NFIB appreciates the work of this committee to help our nation's smallest businesses with an expedited forgiveness process as part of the *Consolidated Appropriations Act of 2021*.

Unfortunately, implementation of this expedited forgiveness by the Small Business Administration (SBA) has not matched Congressional intent.

Under Section 307 of the *Consolidated Appropriations Act of 2021*, Congress directed that loans of less than \$150,000 "shall" be forgiven if the eligible recipients signs and submits to the lender a simple certification of the number of employees retained because of the covered loan, the estimated amount of the covered loan spent on payroll costs, the total loan value, and an attestation that the borrower has accurately provided the certification and retained records. Unfortunately, the SBAs simplified application 3508S, as amended, contains a full-time employee (FTE) and Salary/Wage reduction calculation for loans over \$50,000 that was not intended by Congress.<sup>4</sup> These FTE and Salary/Wage reduction calculations are incredibly complicated and time consuming to navigate for small businesses.

NFIB believes borrowers with loans of less than \$150,000 should be subject to the same terms and conditions as the original 3508S form (for loans of \$50,000 or less). The SBA should revise this process to match congressional intent more closely with respect to small loan forgiveness. In the alternative, the committee should further direct this change via future legislation relating to PPP.

3. Relax the qualifying quarter requirement to access second draw loans

As you are aware, to qualify for a second draw PPP loan, businesses must demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. This provision is likely to prove problematic for some small businesses who are deserving of additional PPP support. NFIB recommends it be revised to allow additional, deserving businesses access to a second draw loan.

Revenue cycles for small businesses, such as those in the tourism and hospitality industries, often do not follow quarterly cycles. Additionally, many small businesses experienced their greatest revenue loss over two quarters from March through May of 2020, when businesses faced the most serious restrictions and business foot traffic was at its lowest levels. For this reason, it makes sense to adjust the calculation to a comparable time period, such as 90 consecutive days between 2020 and 2019, to determine the necessary reduction in gross receipts rather than via calendar quarter.

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<sup>4</sup> Section 307(a)(1)(3) created the simplified application process, which requires, "(aa) a description of the number of employees the eligible recipient was able to retain because of the covered loan," but does not require the more extensive calculations.

An amendment to this effect was offered by Representative Dan Meuser (R-PA) during consideration of the *American Recovery Plan Act of 2021* by the committee.<sup>5</sup> At the time, the amendment was rejected due to fear that the amendment would not comply with the committee's reconciliation instructions because a cost estimate was unavailable. NFIB recommends the committee reconsider this important proposal outside of the reconciliation process.

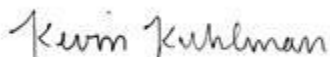
4. Allow self-employed individuals that applied for a PPP loan prior to the SBA's March 3, 2021 interim final rule to reapply for a larger loan amount

On March 3, 2021, the SBA issued a new interim final rule, *Business Loan Program Temporary Changes; Paycheck Protection Program-Revisions to Loan Amount Calculation and Eligibility*, which allowed self-employed individuals who file IRS Form 1040, Schedule C, Profit or Loss From Business, to calculate their maximum loan amount using gross income instead of net profit.<sup>6</sup> This important change will allow self-employed individuals, many of whom do not record large net profits, to access larger first and second draw PPP loans.

Unfortunately, the SBA has indicated this change applies to new loan applications, leaving out self-employed individuals who previously applied for PPP. NFIB supports changing this requirement to allow individuals with unforgiven first or second round loans to reapply for a larger loan amount. The committee should work with the SBA to make this change regulatorily or direct it via legislation.

Again, thank you for holding this hearing on such an important topic. NFIB looks forward to continuing to work with you to assist small businesses during this challenging time.

Sincerely,



Kevin Kuhlman  
Vice President, Federal Government Relations  
NFIB

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<sup>5</sup> Rep. Dan Meuser, Amendment 1v1, *Committee markup of Reconciliation Instructions for the American Recovery Plan Act of 2021*, February 10, 2021, available at: [https://smallbusiness.house.gov/uploadedfiles/02-10-21\\_mr\\_meuser\\_amendment\\_1v1.pdf](https://smallbusiness.house.gov/uploadedfiles/02-10-21_mr_meuser_amendment_1v1.pdf).

<sup>6</sup> Small Business Administration, *Business Loan Program Temporary Changes; Paycheck Protection Program-Revisions to Loan Amount Calculation and Eligibility*, Interim Final Rule, Federal Register, March 8, 2021, <https://www.federalregister.gov/documents/2021/03/08/2021-04795/business-loan-program-temporary-changes-paycheck-protection-program-revisions-to-loan-amount>.