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November 20, 2020

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

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

The Honorable Mitch McConnell  
Majority Leader, U.S. Senate  
S-230, The Capitol  
Washington, DC 20510

The Honorable Chuck Schumer  
Minority Leader, U.S. Senate  
S-221, The Capitol  
Washington, DC 20510

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader McConnell, and Minority Leader Schumer:

On behalf of NFIB, the nation's leading small business advocacy organization, I write to urge Congress to consider legislation before the conclusion of the 116<sup>th</sup> Congress to help small businesses weather the continued economic crisis caused by the COVID-19 pandemic.

It has been eight months since the onset of the COVID-19 health crisis and many small businesses are still struggling to survive, trying to help their employees and adjust business operations. Now that Congress has returned from the election, there is an urgent need for additional action as one-in-five (20%) small business owners report that they will have to close their doors if current economic conditions do not improve over the next six months.<sup>1</sup>

There are bipartisan, bicameral proposals to assist small businesses that necessitate consideration before the end of the year, which include:

- 1) Allowing targeted secondary Paycheck Protection Program (PPP) loans
- 2) Restoring the deductibility of PPP loan forgiven expenses
- 3) Streamlining the PPP loan forgiveness process
- 4) Forgiving PPP loans and Economic Injury Disaster Loan (EIDL) emergency advance grants

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<sup>1</sup> Holly Wade, *Covid-19 Small Business Survey (13) – PPP, EIDL, the Economy, and Payment Deferrals*, NFIB Research Center, October 26, 2020, <https://assets.nfib.com/nfibcom/Covid-19-Small-Business-Survey-13-Web.pdf>.

### Allowing Secondary PPP Loans

As state and local shutdown orders expand, small business owners need targeted financial assistance. More than half (52%) of small business borrowers anticipate needing additional financial support over the next 12 months.<sup>2</sup> NFIB supports legislation in both chambers that would provide targeted financial assistance to small business owners in the form of secondary PPP loans.<sup>3</sup>

### Restoring Deductibility of PPP Forgiven Expenses

In addition, small business owners must be protected from surprise tax increases. On April 30, after most businesses applied for PPP loans, the IRS issued Notice 2020-32, which disallows the deductibility of forgiven expenses. This regulatory action reduces the benefits of the PPP and increases complexity for small business owners, who will have to separate payroll and business expenses for certain weeks during the “covered period.” Without Congressional action, the guidance will amount to a surprise tax increase for millions of small business owners as they try to emerge from the pandemic and state and local shutdown orders. NFIB supports multiple bills that reinforce Congressional intent that PPP forgiven expenses should be treated as deductible business expenses.<sup>4</sup>

### Streamlining PPP Forgiveness

Small business owners need streamlined forgiveness and clarity in the PPP forgiveness process. The vast majority of borrowers (90%) have spent their entire PPP loan and are ready to apply for loan forgiveness.<sup>5</sup> NFIB supports bipartisan legislation that simplifies the PPP loan forgiveness process, allowing small businesses who received a loan of \$150,000 or less to attest to a good faith effort to comply with PPP loan requirements and obtain forgiveness.<sup>6</sup>

### Forgiving PPP Loans and EIDL Emergency Advance Grants

Twenty-seven percent of those who received a PPP loan also received an EIDL emergency advance grant.<sup>7</sup> These distinct programs received two different appropriations and are managed by two separate offices within SBA. By itself, the EIDL emergency advance is a grant, and recipients do not have to pay it back. However, small business owners are not allowed to benefit from both the EIDL emergency advance grant and PPP loan forgiveness. NFIB supports legislation from both chambers that would allow forgiveness for PPP loans and EIDL

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<sup>2</sup> *Ibid.*

<sup>3</sup> See, for example, S. 4321, the *Continuing Small Business Recovery and Paycheck Protection Program Act*, S. 4014, the *P4 Act*, and H.R. 8265, the *Paycheck Protection Program Extension Act*

<sup>4</sup> See, for example, S. 3612 / H.R. 6821, the *Small Business Expense Protection Act*, S. 3596, the *Safeguarding Small Business Act*, H.R. 6754, the *Protecting the Paycheck Protection Program Act*, and H.R. 6884, the *FIRST Act*

<sup>5</sup> Holly Wade, *Covid-19 Small Business Survey (13) – PPP, EIDL, the Economy, and Payment Deferrals*, NFIB Research Center, October 26, 2020, <https://assets.nfib.com/nfibcom/Covid-19-Small-Business-Survey-13-Web.pdf>.

<sup>6</sup> See, for example, S. 4117 / H.R. 7777, the *Paycheck Protection Small Business Forgiveness Act*

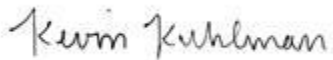
<sup>7</sup> Holly Wade, *Covid-19 Small Business Survey (13) – PPP, EIDL, the Economy, and Payment Deferrals*, NFIB Research Center, October 26, 2020, <https://assets.nfib.com/nfibcom/Covid-19-Small-Business-Survey-13-Web.pdf>.

emergency advance grants, preventing small business owners with being left with unexpected PPP loan balances.<sup>8</sup>

Small businesses cannot recover in an uncertain economic and legislative environment. This month, the NFIB Uncertainty Index, the portion of NFIB's monthly survey that measures future economic conditions, had its highest reading since November 2016. This high reading is likely driven by the election and uncertain conditions in future months due to the COVID-19 pandemic and government mandated shutdowns.<sup>9</sup> Passing legislation that delivers on these time-sensitive priorities will help boost small business confidence and decrease uncertainty.

NFIB remains committed to working with Congress and the Administration to help mitigate the unprecedented negative impact of COVID-19 on small businesses. NFIB urges Congress to pass legislation to help small business owners before the end of the year.

Sincerely,

A handwritten signature in black ink that reads "Kevin Kuhlman". The signature is written in a cursive, slightly slanted style.

Kevin Kuhlman  
Vice President, Federal Government Relations  
NFIB

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<sup>8</sup> See, for example, S. 4885, the *EIDL Advance Protection Act* and H.R. 8361, the *EIDL Forgiveness Act*

<sup>9</sup> William C. Dunkelberg and Holly Wade, *Small Business Economic Trends survey (October 2020)*, NFIB Research Center, November 10, 2020, <https://assets.nfib.com/nfibcom/SBET-October-2020.pdf>.