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On behalf of NFIB, the nation's leading small business advocacy organization, I write in strong support of H.R. 133, the *Consolidated Appropriations Act, 2021*, which will help small businesses weather the continued economic crisis caused by the COVID-19 pandemic. This legislation provides critical funding and fixes to vital small business assistance programs. **The *Consolidated Appropriations Act, 2021* will be considered a NFIB Key Vote for the 116th Congress.**

It has been nine 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. There is an urgent need for additional legislation as one-in-four (25%) small business owners report that they will have to close their doors if current economic conditions do not improve over the next six months. Another 22% of owners anticipate they will be able to operate no longer than 7-12 months under current economic conditions.¹ Moreover, the NFIB Uncertainty Index remains at an historically high reading. Business owners expecting better business conditions over the next 6 months declined significantly from last month.²

Knowing timely action is necessary to help bolster the small business economy, NFIB strongly supports provisions included in the legislation that are critical to assisting our nation's small businesses:

- 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) Improving interaction between PPP loans and other relief programs

¹ Holly Wade, *Covid-19 Small Business Survey (14) – PPP, EIDL, the Economy, and the Vaccine*, NFIB Research Center, December 15, 2020, <https://assets.nfib.com/nfibcom/Covid-19-14-Questionnaire-Write-up-FINAL-Web.pdf>.

² William C. Dunkelberg & Holly Wade, *NFIB Small Business Economic Trends*, November 2020, <https://assets.nfib.com/nfibcom/SBET-Nov-2020.pdf>.

Allowing Targeted, Secondary PPP Loans

As state and local shutdown orders expand, small business owners need targeted financial assistance. More than half (53%) of small business borrowers anticipate needing additional financial support over the next 12 months.³

NFIB supports Division N, Section 311, *Paycheck Protection Program Second Draw Loans*, which allows targeted financial assistance to small business owners in the form of secondary PPP loans if they can demonstrate a 25% quarterly revenue reduction in 2020. Further, NFIB supports reserving \$15 billion for businesses with 10 or fewer employees.

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 reduced the benefits of the PPP and increased complexity for small business owners, who would have been required to separate payroll and business expenses for certain weeks during the “covered period.”

Congress reaffirmed legislative intent and restored the deductibility of forgiven expenses, a win for small business owners as they try to emerge from the pandemic and state and local shutdown orders. NFIB is grateful this bill includes Division N, Section 276, *Clarification of Tax Treatment of Forgiveness for Covered Loans*, which will save small businesses from a surprise tax increase during this unprecedented time.

Streamlining PPP Forgiveness

Small business owners need streamlined forgiveness and clarity in the PPP forgiveness process. The vast majority of borrowers (91%) have spent their entire PPP loan and are ready to apply for loan forgiveness.⁴

NFIB supports Division N, Section 307, *Simplified Forgiveness Application*, which 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.

Improving Interaction Between PPP Loans and Other Relief Programs

Twenty-seven percent of those who received a PPP loan also received an EIDL emergency advance grant.⁵ By itself, the EIDL emergency advance is a grant, and recipients do not have to pay it back. However, small business owners were not allowed to benefit from both the EIDL emergency advance grant and PPP loan forgiveness.

³ Holly Wade, *Covid-19 Small Business Survey (14) – PPP, EIDL, the Economy, and the Vaccine*, NFIB Research Center, December 15, 2020, <https://assets.nfib.com/nfibcom/Covid-19-14-Questionnaire-Write-up-FINAL-Web.pdf>.

⁴ *Ibid.*

⁵ 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>.

NFIB supports Division N, Section 333, *Repeal of EIDL Advance Reduction*, which allows forgiveness for PPP loans and EIDL emergency advance grants, preventing small business owners with being left with unexpected PPP loan balances.

Further, NFIB supports Division EE, Section 206, *Clarifications and Improvements to CARES Act Employee Retention Credit*, which allows employers access to both PPP loans and the Employee Retention Tax Credit for different covered periods.

NFIB is sympathetic to concerns raised by members regarding the process in crafting this legislation and pairing it with unrelated provisions. But small businesses cannot afford to wait on perfection. The bottom line is the time to act is now.

NFIB supports H.R. 133, the *Consolidated Appropriations Act, 2021* and will consider the legislation a NFIB Key Vote for the 116th Congress.

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