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President Biden's Changes To PPP Are A Big Win For Main Street And Business Owners Of Color: Five Key Changes



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WASHINGTON, DC - FEBRUARY 19: U.S. President Joe Biden returns to the White House after a trip to ... [+] GETTY IMAGES

On Monday, President Joe Biden announced changes to the Paycheck Protection Program (PPP), the main vehicle for helping small businesses weather the Covid-19 pandemic. These modifications to the PPP are a big

win for American small businesses, especially business owners of color and our country's smallest business owners.

The PPP has helped many businesses during the pandemic, but the program design was not without its flaws and the funds were not distributed equally. Between February and May of 2020, 41% of Black-owned, 36% of Latin(x)-owned, 36% of immigrant-owned, 26% of AAPI-owned, and 25% of women-owned businesses closed compared to the national average of 22%. In addition, [many academic economists](#) have ascertained that much of the PPP funding went to businesses that may not have needed the money to preserve jobs. A [survey conducted](#) by Reimagine Main Street, in partnership with the [Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship \(National ACE\)](#), the [US Black Chambers, Inc. \(USBC\)](#), and the [United States Hispanic Chamber of Commerce \(USHCC\)](#) found that only 54% of Black-owned businesses that applied for PPP funding received it, compared to 86% of white-owned businesses.

The Biden Administration's modifications take some strong steps in making PPP funding more easily accessible to all small businesses. Here are five key changes.

1. Priority Window for Business Owners with Less than 20 Employees

The Biden Administration will now open up a two-week period starting this Wednesday where businesses with less 20 employees will have exclusive access to the application portal. Why is this needed? Because 98% of all small businesses have 20 or fewer employees. Yet many smaller businesses did not have the same success in obtaining PPP funding as their larger counterparts for a number of reasons, including lack of existing relationships with banks and accounting capacity to fill out the loan application. While changes to the PPP in December helped make getting funding easier, smaller businesses, many still struggled. This open period will be a lifeline for businesses who remain vulnerable.

2. Better Serve Self-Employed/Sole Proprietors

The Biden Administration also announced changes in how the self-employed can calculate the size of their PPP loan. Until now, a self-employed PPP loan applicant would use “net income” (Line 31 on Form 1040 of the Schedule C), to calculate the loan amount. Using net income as the basis of determining loan size dramatically reduces the value of PPP loans for self employed because it excluded eligible expenses. Going forward, self-employed individuals will use gross income to calculate the PPP loan amount. Additionally, the Biden Administration has set aside \$1 billion for businesses in this category without employees located in low- and moderate-income (LMI) areas. “As we have stated from the beginning, including the self-employed in the PPP and other Covid relief programs has been affirming to the nearly 32 million self-employed, but challenges to date with guidance and interpretation of congressional intent has caused confusion and unfortunately, excluded many from attaining a PPP loan. We are grateful for the continued efforts by the Administration and diverse group of stakeholders to bring attention to these errors and make adjustments to this critical program,” stated Keith Hall, President and CEO of the National Association for the Self-Employed (NASE).

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3. Support for Second Chance Small Business Owners

The Biden Administration has taken the bipartisan step to allow some small business owners with prior criminal records to apply for PPP funding. This will open funding to business owners who have turned their lives around,

started a small business, created jobs, and contributed to their communities. An estimated one in three Americans have criminal records and many have gone on to start small businesses. However, these individuals are currently not eligible for the PPP, which prohibits business owners who are contributing to their communities from being able to apply for PPP funding. As Sen. Ben Cardin [D-MD], who co-introduced bipartisan legislation on this issue, [said](#), “Congress created PPP to help all small businesses keep their employees on payroll, and there is no reason why a business owned by someone with an unrelated criminal record should be treated any differently.”

4. Exempt Defaults on Student Loans

Business owners who are behind on their federal student loan payments will now be eligible for PPP loan forgiveness under President Biden's changes. According to the [Ewing Marion Kauffman Foundation](#), a third of Americans between the ages of 18 and 29 have student loan debt and their average debt coming out of college was \$29,200. Researchers have [found](#) that an individual who graduates with this type of debt is 11 percent less likely to start a business than someone who graduates debt-free. Initially, business owners who were delinquent on federal student loans could access PPP funds, but could not receive the loan forgiveness, meaning they had to pay it all back. While more work on student loans needs to be done, this is a good step towards providing some relief to business owners who are trying to keep their business alive and pay down their student debt during a pandemic

5. Clarification for Small Business Owners with Visas or Green Cards

The PPP statute allows all lawful U.S. residents with visas or Green Cards to apply for funding, but guidance on eligibility and access was not clear or consistent. The Biden Administration clarifies that residents who do not yet have a Social Security Number or Employer Identification Number can

apply for PPP funding using their Individual Taxpayer Identification Numbers (ITINs). This new modification prohibits lenders from denying PPP funding to business owners who use ITINs to pay their taxes.

These changes by the Biden Administration will expand the number of business owners eligible for PPP and thus reach many more who are struggling. While more should be done, including collecting data to better ascertain that these funds are reaching the businesses who truly need them, the actions are strong steps towards rebuilding a more equitable Main Street.

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