



## CALIFORNIA SUPPORTS SMALL BUSINESSES

California small businesses are drivers of economic growth – creating two-thirds of new jobs and employing nearly half of all private sector employees. California is home to 4.1 million small businesses, representing 99.8 percent of all businesses in the state and employing 7.2 million workers in California, or 48.5 percent of the state's total workforce.

The COVID-19 pandemic has presented a significant challenge to small businesses, employers and employees. An August [Small Business Majority](#) survey data found that 44% of small businesses are at risk of shutting down. Data released through the [Census Current Population Survey](#) found that minority-owned businesses are disproportionately impacted: the number of active businesses owned by African-Americans dropped by 41%, Latinx by 32%, Asians by 25%, and immigrants by 36%.

Small business support is critical to ensure these Californians are connected to the resources they need to pivot and adapt to the COVID-19 marketplace. Governor Newsom and the Legislature are using every tool at their disposal to support small businesses as they work to safely reopen and recover from this public health crisis.

### Tax Relief

- **Allowing Small Businesses to Exclude PPP Loans from State Taxes.** Governor Newsom signed AB 1577 (Burke), which conforms state law to federal law by excluding from gross income Paycheck Protection Program loans that were forgiven through the federal CARES Act and subsequent amendments in the Paycheck Protection Program and Health Care Enhancement Act of 2020.
- **Created Main Street Hiring Tax Credit.** Governor Newsom signed SB 1447 (Bradford, Caballero and Cervantes), authorizing a \$100 million hiring tax credit program for qualified small businesses. The credit will be equal to \$1,000 per qualified employee, up to \$100,000 for each small business employer.
- **Provided Tax Relief for Small Businesses:** Provided a 90-day extension to [small businesses](#) in state and local taxes and an extension of all licensing deadlines and requirements for several industries.
- **Waived the Minimum Franchise Tax for New Businesses.** Estimated \$100 million allocated in the 2020-21 Budget to waive the \$800 minimum franchise tax for the first year of business creation and remove a barrier to entrepreneurship and job creation.
- **Authorized Sales Tax Relief.** Provided a 12-month interest-free payment plan for up to \$50,000 of sales and use tax liability through the CA Department of Tax and Fee Administration (CDTFA). A total of 6,217 Small Business Relief Payment Plans have been established for a total of \$105.9 million in tax through August 30. CDTFA has received \$8.2 million in payments towards the small business relief payment plans.

### Access to Capital

- **Provided \$125 Million in Small Business Loans.** The California Infrastructure Economic Development Bank (iBank) provided \$100 million in loan guarantees for small businesses that may not be eligible for federal relief.



- To date, IBank has conditionally approved 415 loans for \$14.5 million, retaining the jobs of 2,252 Californians. To date, 82 percent of the loans have gone to either women-owned, minority-owned, or those businesses in low to moderate income (or LMI) tracts. The average loan size, to date, is \$35,000. Businesses receiving loans are, on average, 5.4 full-time equivalent employees.
- Additionally, [in late August, the state announced the California Rebuilding Fund](#), a new public-private partnership being developed to leverage state capital to support California's small businesses – especially those located in economically disadvantaged and historically underserved areas of the state. The California Infrastructure and Economic Development Bank's (IBank) participation in the initiative was approved during IBank's August board meeting. Prior to the approval, the State of California allocated \$25 million to IBank and passed new statutory authority allowing IBank to participate in the initiative.
- **Secured \$30 Billion in Federal Small Business Relief.** California secured an SBA disaster declaration early on 3/17/20 to open up the Economic Injury Disaster Loans (EIDL) program for California [small businesses](#) and private non-profit organizations. Early action proved impactful:
  - California has received 543,366 approved EIDL loans which represents 15.20% of the total loans approved by SBA, as of 8/24. The total amount funded is \$33,572,280,259, which is 17.86% of the national total.
  - California has received approval for 809,792 EIDL Advances representing 14.01% of the total number of advances; and \$2,666,662,000 or 13.33% of the total disbursed, as of 7/15. EIDL Advances are closed.
  - California has received 623,360 approved PPP loans, representing 11.96% of the total loans approved by SBA, as of 8/08. The total amount funded is \$68,644,418,670 - 13.07% of the national total. SBA is no longer accepting PPP applications.
- **Provided Micro-Grants to Immigrant Social Entrepreneurs.** Allocated \$10 million in the 2020-21 Budget for Social Entrepreneurs for Economic Development (SEED) to provide micro-grants to immigrant social entrepreneurs.
- **Provided Loan Guarantees.** In 2019, IBank did more than 579 small business loan guarantees for more than \$509.6 million in economic activity. 15,780 small business jobs were created or retained from IBank's 2018-19 loan guarantees. IBank did more than \$643 million in financing in FY 18-19.
- **Small Business Finance Center.** IBank has conditionally approved 415 loans for \$14.5 million, retaining the jobs of 2,252 Californians. To date, 82 percent of the loans have gone to either women-owned, minority-owned, or those businesses in low to moderate income (or LMI) tracts. The average loan size, to date, is \$35,000. Businesses receiving loans are, on average, 5.4 full-time equivalent employees.

## Support Networks

- **Expanded Support for Small Businesses.** In 2019-20, 86 active small business centers – providing expanded services in over 30 languages – have helped California's small businesses pivot, navigate new guidance, access capital including federal relief, and

Visit <https://business.ca.gov/coronavirus-2019/> to apply for these programs and small business supports.



adapt to the new marketplace demands to survive COVID-19. During the peak of the pandemic, these centers experienced up to a 14x jump in demand for assistance from California small businesses, to help meet this need, the majority of California's small business centers received just over \$34 million in additional federal funding.

- **Collaborated with the Governor's Task Force on Business and Jobs Recovery to Support Small Businesses.** The Governor's Task Force, established to help the state respond to COVID-19, has made small businesses a focus of California's economic recovery.
  - Members helped shape sector-specific guidance for a safer reopening, providing valuable insights that were helpful to businesses of all sizes, particularly smaller businesses without the same resources.
  - Proposed and launched the [#ShopSafeShopLocal](#) campaign – in tandem with July's "California for All Small Business Month" – to encourage communities across the state to support their local small businesses. This was done through the contributions of many companies – such as Nextdoor, Google and UPS – giving small businesses the tools and resources needed to create and/or increase their digital footprint.
  - Informed legislation to create the Main Street hiring credit (\$100 million) and conform to zero tax for the PPP loans.
- **Created Entrepreneurship Task Force.** In May 2019, the Office of the Small Business Advocate launched the Entrepreneurship Task Force (ETF) to serve as a bridge between the State of California and the entrepreneurial community. As the COVID-19 pandemic began to affect small businesses, the ETF launched a series of weekly COVID-19 Rapid Response Webinars to create a greater sense of community and reached nearly 30,000 small businesses in Spanish and English with critical information. The series was launched in Spanish with Univision on Facebook Live and in English with a variety of over 20 statewide and regional partner organizations.

### Assistance for Opening

- **Created a Lifeline for Restaurants & Food Service Industry:** Launched [Great Plates Delivered](#), a first-in-the-nation meal delivery service for California's older adults, has served 8,693,690 meals through 735 provider food service companies/restaurants.
- **Helped CA Manufacturers and Created a New Marketplace for PPE.** Established [SafelyMakingCA.org](#), a new resource for small businesses to access the PPE they need to protect employees and customers and for California manufacturing companies to access PPE specs and find a new revenue source.
- **Distributed Hundreds of Millions of PPE Units to Industry:** Built a pipeline of PPE for essential workers and industry organizations and distributed PPE to help workers stay safe. The California Office of the Small Business Advocate (CalOSBA) has coordinated with six regional hubs to distribute free PPE to underserved and impacted small businesses throughout the state. Orders for delivery as of 8/24 include: 7,188,010 face masks, 580,372 16.9oz bottles and 1,004 gallons of sanitizer, and 645,672 face shields for distribution.