EXECUTIVE SUMMARY

Helping Americans Build Wealth Through Small-Business Growth

By Michael Negron, Corey Husak, Kennedy Andara, Mimla Wardak, and Devesh Kodnani

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Read the full report

Small-business ownership is one of the surest pathways to wealth creation and economic mobility. Small businesses are boons for local economies, responsible for nearly half of private sector employment, and have a major role in job creation. Since the COVID-19 pandemic recession, Americans have been applying to start new businesses at historic rates. Yet small businesses are struggling under the Trump administration's policies, with 75 percent of small-business owners surveyed reporting that the economy in late 2026 is "one of the hardest economies of their careers."

Targeted investments in small businesses are critical to reinvigorate and jumpstart local economies and labor markets, especially in light of the negative impacts of the Trump administration's tariffs, federal spending and health care cuts, and the opportunities and challenges posed by artificial intelligence (AI). To that end, the Center for American Progress is calling for a bold agenda to support the nation's 36 million small businesses by:

- Replacing tax breaks that are rigged to favor wealthy business owners with tax reforms that help small businesses hire employees and that reduce tax filing burdens on mom-and-pop businesses.
- Investing to expand access to both lending and equity capital for underserved small businesses.
- Democratizing access to AI tools that can help small businesses grow.
- Creating new pathways to ownership for employees and entrepreneurs seeking to acquire existing small businesses.

CAP's plan would eliminate a tax break that gives more than half its benefits to millionaires and billionaires and reinvest those savings in mom-and-pop small businesses. CAP's agenda for small businesses would help more entrepreneurs start, sustain, and grow their businesses, ensuring that the American dream is within reach for generations to come.

For more on the methodology, read CAP's full report.

Replacing tax breaks that are rigged to disproportionately favor wealthy business owners by instead focusing benefits on mom-and-pop businesses

Overall, CAP's agenda would cost roughly $52 billion annually, resulting in more than $20 billion in annual deficit savings over the current 199A tax break, while directing more overall money and support to mom-and-pop businesses to support job creation and easier tax filing.

- **Small-business tax filing made simple and easy: The Standard Small-Business Deduction.** CAP proposes that small businesses be given an expedited tax filing option that could allow them to quickly and easily file taxes. Instead of tracking deductions and depreciation, most small businesses could choose to take a 65 percent standard deduction of their revenues after calculating the cost of goods sold and employee compensation. This proposal would provide $36 billion in yearly benefits to the millions of small-business owners making less than $500,000 per year.
- **The Small-Employer Jumpstart Credit.** CAP recommends a new tax policy that would boost hiring by lowering employers' cost of initial hires by canceling employer-side payroll taxes for new employers. Based off international models, CAP estimates that this program's benefits would flow to 2 million businesses yearly, helping them hire and retain workers, and would create 160,000 new employers and 630,000 new jobs at small businesses at a yearly cost of $23 billion.

Investing to expand access to both lending and equity capital for underserved small businesses

Fewer than half of small-business loan applicants receive all the financing they seek, and the gaps are largest for the youngest firms, the smallest loans, and women and minority entrepreneurs. CAP recommends that roughly $3.1 billion of the revenue saved from eliminating 199A be invested in the following initiatives to address gaps in access to capital:

- **A public option for working capital.** CAP recommends authorizing the Small Business Administration (SBA) to originate working capital lines of credit and small working capital term loans directly to creditworthy businesses that private lenders decline to serve.
- **A new subsidized "Main Street Advantage" loan.** CAP recommends a permanent "Main Street Advantage" tier within 7(a) to expand access to capital for businesses in low- and moderate-income communities and rural areas, as well as to veteran-owned firms.
- **Create a Small-Business Strategic Investment Fund.** CAP recommends that policymakers establish an "Invest in America" Small Business Investment Company that would receive $1 billion per year in funds to provide patient capital to small businesses in areas of low and moderate income as well as targeted industries such as manufacturing.

Democratizing access to AI tools that can help small businesses grow

The boom in AI carries both promise and risk for the nation's small businesses. CAP recommends three new policy initiatives to democratize access to AI for small businesses:

- Congress should invest in dedicated technical assistance to help small businesses better adopt AI. CAP recommends providing additional funding to support AI adoption to the SBA's Small Business Development Centers program.
- The SBA should also more aggressively leverage its co-sponsorship authority to negotiate partnerships with leading AI companies that put free and discounted tools directly into the hands of small businesses.
- The federal government should take steps to ensure that the public and small businesses have access to frontier AI models through some form of public option.

Creating new pathways to ownership for employees and entrepreneurs seeking to acquire existing small businesses

Communities everywhere will feel the effects of the Silver Tsunami as Baby Boomers retire, leaving small businesses either to transition ownership or to die out. CAP recommends a three-pronged approach that eliminates barriers to business transitions to meet the surging wave:

- **Reduce the transaction costs for business transitions** via a tax credit to alleviate the fixed costs associated with employee stock ownership plan (ESOP) transactions to encourage employee ownership.
- **Revise and update the SBA's standard operating procedures to encourage business transitions.** CAP recommends regulatory changes to support seller partial ownership and funding, as well as modifications to the Quality of Earnings requirement and loan underwriting standards.
- **Technical assistance to ease business transitions.** CAP proposes an office dedicated to business transitions, aimed at providing education and awareness of business transition options and offering technical support for ownership transitions.