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September 27, 2021
Resolution No. 004-2021-SBC

**Requesting The Office of Economic Workforce Development Directly Help Small Businesses Apply
For the Employee Retention Tax Credit**

Resolution

WHEREAS, the Small Business Commission’s mandate was established by the voters in 2003 and specifically authorizes the Small Business Commission to set policies for the City regarding small businesses, consistent with any overall objectives established by the Mayor and the Board of Supervisors through the adoption of legislation, in order to promote the economic health of the small business community in San Francisco, its employees, and its customers; and,

WHEREAS, the COVID-19 Pandemic has devastated San Francisco businesses who were forced to temporarily close or modify operations following “Shelter in Place” directives and public health guidelines; and,

WHEREAS, the COVID-19 pandemic has led to an economic crisis of an unprecedented magnitude; and,

WHEREAS, according to the City and County of San Francisco Budget and Legislative Office, sales across all business outlets dropped by 50 percent in 2020 which has had a direct and immediate impact on employment levels, household income, and the ability of households to put food on the table; and,

WHEREAS, because of historic social and economic inequities, communities of color are disproportionately represented in the service sector which was greatly impacted by COVID-19; and,

WHEREAS, data shows that businesses owned by African Americans and Latinx were also disproportionately impacted by COVID-19: business owner activity fell in the early-stages of the pandemic by 41 percent among African-Americans and 32 percent among Latinx compared with 17 percent among whites;¹ and,

¹ National Bureau of Economic Research https://www.nber.org/system/files/working_papers/w28321/w28321.pdf

WHEREAS, the City and County of San Francisco Budget and Legislative Office estimated that San Francisco businesses owe more than \$600 million in unpaid rent; and,

WHEREAS, the federal, state, and local government has provided economic recovery assistance to small businesses through relief grants, small business funds, Paycheck Protection Programs, and disaster loans; and,

WHEREAS, these programs have provided critical support to small businesses; and

WHEREAS, small businesses continue to struggle, and data shows that within the Paycheck Protection Program, for example, communities of color received fewer loans, were awarded smaller loan amounts, and received them later on into the pandemic; and,

WHEREAS, small businesses owned by immigrants and non-native English speakers had more difficulty accessing Federal, State, and local aid programs; and

WHEREAS, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) enacted in April 2020 included the Employee Retention Tax Credit (ERTC) program for small businesses who retained their employees during the COVID-19 pandemic; and,

WHEREAS, businesses can claim the ERTC retroactively and can receive up to \$28,000 per employee in 2021 and \$5,000 per employee in 2020; and,

WHEREAS, the ERTC supports the City's economic recovery goals by helping small businesses survive and recover, enhancing the local economy, and maintaining high employment numbers; and,

WHEREAS, the ERTC program was originally only available to businesses that did not receive aid through the Paycheck Protection Program (PPP); and,

WHEREAS, the American Rescue Plan, enacted in 2021, expanded eligibility to the ERTC program to include businesses that had utilized PPP; and,

WHEREAS, the Small Business Commission has received testimony that there are still small business owners and Certified Personal Accountants who continue to erroneously believe the ERTC is not available to businesses who utilized PPP; and,

WHEREAS, the Small Business Commission has received testimony that some small businesses are being charged exorbitant fees to apply for ERTC; and,

WHEREAS, the ERTC is widely underutilized by small businesses who may not be aware of the program, may not have the language or technical support to apply, or may be in communities that are underserved by commercial banks; and,

WHEREAS, The Small Business Commission conducted a survey of San Francisco Small Businesses in early 2021 that revealed less than 5% of San Francisco's Small Businesses had applied for an Employee Retention Tax Credit, and less than 3% had received the funds; and,

WHEREAS, data from the San Francisco Budget and Legislative Analyst Office has demonstrated that without assistance, businesses who have been disproportionately impacted by COVID-19 will likely not take advantage of the ERTC program thus leaving billions of federal dollars on the table; and,

WHEREAS, as of May 2021, less than 150,000 employers nationwide had applied for the credit;² and,

WHEREAS, San Francisco has 94,000 small businesses that employ 364,000 people;³ and,

WHEREAS, accounting and payroll firms have provided businesses with the assistance they need to apply for ERTC at an estimated range of \$150 per employee; and,

WHEREAS, at this estimated range it would cost a total of \$54 million dollars to pay to prepare ERTC returns for every employee in San Francisco employed by a small business, and,

WHEREAS, if all San Francisco small businesses fully utilized the ERTC, they could draw down a collective amount of more than \$12 billion federal dollars; and,

WHEREAS, the ERTC is an opportunity for small businesses to leverage federal dollars quickly and equitably; and,

WHEREAS, the ERTC is an opportunity for the City of San Francisco to help small businesses, while achieving an unprecedented return on investment of City dollars; and,

WHEREAS, to seize this important opportunity, the Office of Economic and Workforce Development can play a vital role in connecting small businesses with the accounting assistance they need to draw down these funds; and,

THEREFORE, be it resolved, that the Office of Economic and Workforce Development should initiate an application assistance program, focusing on small businesses in communities of concern to connect them to accountants to complete an ERTC return and cover the up-front accounting fees associated with preparation of this return; and,

THEREFORE, be it resolved, that the City should set aside \$15 million to support the application assistance program citywide; and,

² Government Analyst's Office, pg. 230 <https://www.gao.gov/assets/gao-21-551.pdf>

³ <https://sfmayor.org/article/san-francisco-launches-small-business-week>

THEREFORE, be it resolved, upon receiving their tax credits, small businesses who utilized the assistance program will reimburse the City for the accounting fees associated with the preparation of their tax return; and,

THEREFORE, be it resolved that the City can take a proactive approach in securing billions of dollars in federal funding that will go directly to small businesses in San Francisco.

I hereby certify that the Small Business Commission ADOPTED the foregoing Resolution on September 27, 2021.

A handwritten signature in black ink, reading "Regina Dick-Endrizzi". The signature is written in a cursive, flowing style.

Regina Dick-Endrizzi
Director, Office of Small Business

Ayes – Adams, Dickerson, Dooley, Huie, Laguana, Ortiz-Cartagena, Zouzounis
Nays – None