



May 28, 2019

Honorable Toni Atkins
President pro Tempore, California State Senate

Honorable Anthony Rendon
Speaker, California State Assembly

Honorable Holly J. Mitchell
Chair, Senate Budget and Fiscal Review Committee

Honorable Phil Ting
Chair, Assembly Committee on Budget

Dear Legislative and Budget Committee Leaders:

As representatives of the 28 million small businesses in America and the more than 3.9 million in California, Small Business Majority and California Association for Micro Enterprise Opportunity (CAMEO) write today in support of Governor Newsom's proposal to expand the CalEITC program, which will benefit many self-employed entrepreneurs.

Small Business Majority is a national small business advocacy organization with multiple offices throughout California, founded and run by small business owners to ensure America's entrepreneurs are a key part of a thriving and inclusive economy. We actively engage small business owners and policymakers in support of public policy solutions, and deliver information and resources to entrepreneurs that promote small business growth and drive a strong, sustainable job-creating economy. A key component of our work involves outreach and education to small business owners on key small business issues, including healthcare, retirement security, access to capital and more.

CAMEO is California's statewide network made up of over 230 organizations, agencies, and individuals dedicated to furthering microbusiness development in the state. Annually, CAMEO members serve about 34,000 very small businesses with training, business and credit assistance and loans. These firms – largely start-ups with less than five employees – support or create 51,000 new jobs in California and generate a total of \$2.5 billion in economic activity.

California's small business owners, including its sole proprietors and independent entrepreneurs, are key elements of a thriving and dynamic state economy. These small business owners create jobs, generate wealth throughout their communities and expand economic prosperity throughout the state. But while entrepreneurship can be a path to financial stability for many, often solo entrepreneurs at young, unincorporated businesses have unreliable or low incomes as they work to build their businesses. Indeed, according to the U.S. Small Business Administration, the median income for California self-employed workers at their own unincorporated firm is \$25,034, significantly lower than the median income of \$57,420 for self-employed individuals at their own incorporated business.

Governor Newsom's budget proposal would expand the CalEITC program to individuals making up to \$30,000 annually, a limit that would ensure many low-income solo entrepreneurs are eligible. Boosting self-employed workers' incomes through CalEITC will reduce job lock, allowing workers who previously felt tied to their job because of their paycheck to strike out on their own entrepreneurial path. Overall, the proposal will increase the number of eligible California households from two million to three million filers, specifically benefiting many families with young children and people of color. Increasing the benefit also helps businesses in California through increased business sales—in 2016 alone, \$196.1 million in CalEITC benefits generated more [\\$247.1 million](#) in business sales. Importantly, we support this expansion being paid for through the Governor's tax conformity proposal. It closes loopholes and eliminates discrepancies between state and federal tax filings.

For California's economy to grow and thrive, people need to feel they can take the risk of leaving their job to become an entrepreneur. Expanding the CalEITC will ensure more individuals are able to make that leap without fear of living in poverty. We strongly support the Governor's budget proposal

to increase the CalEITC and urge the legislature to consider small business and self-employed support for this issue while assessing the issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Herbert", with a large, sweeping flourish at the end.

Mark Herbert
California Director, Small Business Majority

A handwritten signature in black ink, appearing to read "Heidi Pickman", with a long, horizontal line extending to the right.

Heidi Pickman
Vice President, Programs and Policy, CAMEO