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COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE

COMMITTEE ON SMALL BUSINESS

COMMITTEE ON SCIENCE, SPACE,
AND TECHNOLOGY

Congress of the United States
House of Representatives
Washington, DC 20515

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October 8, 2020

The Honorable Jovita Carranza
Administrator
United States Small Business Administration
409 3rd St, SW
Washington, D.C. 20416

Dear Administrator Carranza:

Thank you for everything you and the Small Business Administration (SBA) have done over the past several months to help small businesses across the United States remain afloat as we battle the 2019 novel coronavirus (COVID-19). We have worked together to ensure financial and technical assistances are made available to Main Street businesses from coast to coast – saving millions of American jobs.

We are writing regarding the challenges and decisions many small business owners across the nation are experiencing as they work to navigate the ongoing COVID-19 public health emergency. These small businesses continue to lack absolute clarity about the relationship between the Paycheck Protection Program (PPP) and the transfer of ownership of their business. It is imperative we provide this clarity as small business owners look to regain their financial footing and return, as much as safely possible, to pre-pandemic business practices.

At the turn of the new year, businesses across America operated in the strongest business environment in modern history. As part of this climate, small businesses had sales or acquisitions teed up for the coming months. However, COVID-19 caused small businesses across the country to stop or scale back their operations due to government-mandated lockdowns – resulting in massive economic loss and higher unemployment – and eliminated the opportunity for small businesses to consider sales or acquisitions. In response to this economic downturn, Congress crafted, and SBA executed, the PPP to support employers in keeping their workers on the payroll, while also providing relief for business owners' other necessary operating expenses.

However, we have increasingly heard from business owners who were either in the process of – or preparing for – the sale of their businesses prior to COVID-19's impact. Understandably, the global pandemic put a halt to nearly all economic and business ventures, including these sales. These same small business owners received PPP aid in order to support their employees and their local economies, yet remained interested in selling their businesses.

As the economic and financial landscape became slightly less volatile, these small business owners sought new ways to finalize the sale of their businesses that were now the beneficiaries of a PPP loan. In their direct communication with SBA officials, these business

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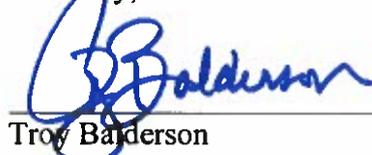
owners were told to either wait for the loan to be forgiven or repay the loan in its entirety before handing the business over to the new owners. In many cases, these business owners have taken money out of their own pocket to repay their PPP loan in order to expedite the sale. This presented new challenges, however, as the PPP loan was now no longer on the books yet also not eligible for forgiveness – even if the business in question used the allotted funds in a manner that would qualify for forgiveness.

In a July 17, 2020 House Small Business Committee hearing, we spoke about the importance of PPP, but also the challenges many business owners face in the coming months. Additionally, we spoke directly to this issue and then continued the conversation in follow-up communications. It was our understanding at that time the SBA was aware of these specific challenges and was seeking to provide clarity. This issue was once again brought to the forefront of PPP forgiveness on September 24, 2020, when the House Small Business Subcommittee on Innovation and Workforce Development held a hybrid hearing titled, “Paycheck Protection Program: An examination of Loan Forgiveness, SBA Legacy Systems, and Inaccurate Data.” During this hearing, the Committee was assured that official guidance on this issue was “imminent”. And on October 2, 2020, SBA released a Procedural Notice regarding “Paycheck Protection Program Loans and Changes of Ownership”. Thank you for providing clarity on this matter.

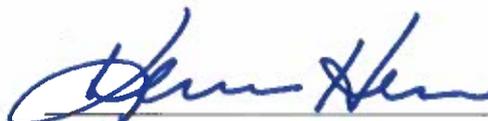
A concern we have, though, is that of small business owners who have already used personal funds to pay back their PPP loans. We urge SBA to consider the many hardships small business owners across this nation have faced and will continue to face in the months and years to come. We urge SBA to establish clear guidelines, rules, or other opportunities that would better outline steps these small businesses should take as they work to return to more normal business practices as quickly as possible.

Once again, we greatly appreciate the work you and your team have provided to the nation during these extremely challenging times. Please do not hesitate to reach out to Stephen Reynolds in Representative Balderson’s office at Stephen.Reynolds@mail.house.gov or Taylor Finley in Representative Hern’s office at Taylor.Finley@mail.house.gov if you have any questions or concerns.

Sincerely,



Troy Balderson
Member of Congress



Kevin Hern
Member of Congress

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