

Policies to Improve Financial Health and Expand Economic Opportunity in America

In 2021, we have an opportunity to rebuild our economic underpinnings in a way that makes us stronger, more resilient, and more equitable. In pursuit of this vision, PayPal offers the following policy recommendations.

1 Solutions to Drive SMB Growth & Resiliency

An “SMB Digital Transformation” package would support SMBs and create a more equitable environment to promote the survival and competitiveness of a sector that is critical to the national economic and social fabric:

- i Enhance SBA Digital Lending Programs and Products:**
Access to capital with flexible repayment terms and appropriate safeguards will be critical in helping SMBs recover.
- ii SMB Digitization Deduction:**
Enhancements to the Tax Cuts and Jobs Act, which expanded deductions for technology, software and IT purchases, could further help SMBs make necessary digital infrastructure investments.
- iii Rebuild Main Street by Digitizing It:**
As part of a broader national digital strategy, the federal government and local officials should prioritize small businesses as recipients of connectivity assistance.

3 Advancing Racial Equity Through Financial Services

A “Racial Equity through Financial Services” package would leverage financial resources to address racial inequality and drive financial security and opportunity.

- i Foster Utilization of the CFPB Special Purpose Credit Program (SPCP):**
The Consumer Financial Protection Bureau (CFPB) should build on past successes and enhance clarity around the SPCP program, and encourage its use in expanding access to credit to underserved communities.
- ii Support Expansion of Innoation of CDFIs and MDIs:**
Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) play a critical role in serving local communities, including minority small businesses and low-income populations. Support for the CDFI Fund through increased funding can help deploy capital and support entrepreneurship and business creation in underserved areas.
- iii Revise and Revive the SBIC program under the SBA:**
Small Business Investment Corporations (SBICs) are licensed private equity fund managers that can access low-cost, government-backed capital to invest in U.S. small businesses. There is an opportunity to revive and repurpose the SBIC Program with a specific focus on BIPOC entrepreneurship communities to address the funding gap that disproportionately affects the minority small business ecosystem.

2 Promoting Consumer Financial Health & Opportunity

A “Digital Financial Health” package should focus on upgrading financial systems and infrastructure in order to reach underserved and underbanked populations and would facilitate access to digital tools that support financial health and opportunity:

- i Modernize Digital and Online Identity:**
Digital identity solutions that are interoperable, secure, privacy-preserving, inclusive, and broadly adopted will form the foundation for the delivery of a range of services that require proof of identity, such as licenses and welfare payments.
- ii Upgrade Payments Infrastructure:**
Cost and time lags in the delivery of payments could be substantially reduced through the upgrade of public and private sector payments infrastructure. In order to harness the potential for more efficient and low-cost systems, policymakers should explore application of new technologies such as cryptography and blockchain-based innovation.

4 Inclusive Growth Through Building Employee Financial Health

- i Revisit Federal Minimum Wage for Companies with More than 500 Employees:**
In setting the new federal minimum wage, Congress could consider exempting small business or using a phased approach to give them time to adapt. It is also important to consider anchoring to living wages (beyond poverty wages) and to account for regional differences.
- ii Incentivize Employers to Reduce the Burden of Healthcare Costs on Lower-Income Earners:**
The cost of healthcare often functions like a regressive tax, and the government can incentivize companies to increase the employers’ contribution for workers who are low-income earners.
- iii Incentivize Companies to Create and Expand Employee Ownership:**
The government can provide tax breaks to incentivize companies to create and/or expand employee ownership, as it is a meaningful way that companies can help employees save for the long term.
- iv Incentivize Employer-Sponsored Emergency Savings Accounts:**
To help individuals and families prepare for short-term and long-term needs, the government should consider incentivizing employer-sponsored emergency savings accounts, similar to tax advantages associated with retirement savings.