

An Administration We Cannot Afford President Trump's War on Small Businesses

STAFF REPORT

House Committee on Small Business
Democratic Staff | Ranking Member Nydia M. Velázquez



Small businesses are uniquely responsible for the growth of the American economy – representing 99 percent of all businesses, generating two-thirds of all new jobs, and employing nearly half the private sector workforce. Like their employees and customers, they rely on a stable, predictable, and affordable economy to run their business and make an honest profit. But despite running for President on the promise to lower prices, President Trump immediately began enacting policies that deliberately increase prices, particularly for inputs used by small firms to run their business. Between on-again off-again tariffs that changed 50 times over the course of 2025 and reversed the trend of inflation, healthcare cuts that hiked premiums for millions of Americans, surging utility prices due to the AI build-out, a shrinking workforce due to immigration policies, and soaring gas prices due to the President’s illegal war in Iran, small businesses, their workers, and their customers are being crushed.

President Trump entered office with slowing inflation, declining interest rates, and a growing job market. Just a year in, he has made all of it worse.

- Over the past year, he has squandered all of those metrics.
 - In 2025, the U.S. economy added just 181,000 jobs – a bad month during the Biden Administration.¹
 - In 2025, economic growth slowed to just 2.1 percent, down from nearly 3 percent the previous year.²
 - In April 2026, Consumer sentiment fell to the lowest it has ever been.³
- Trends in inflation fully reversed for most goods – including both goods that are imported and those that are produced here.⁴
- President Trump unilaterally enacted the largest middle-class tax hike in a generation, offsetting any benefit that working families may have gotten from his tax cut.⁵
- Republicans allowed enhanced premium tax cuts to expire, more than doubling premiums for many Americans, and costing over 4 million small business owners an average of \$1,500.⁶



Inflation: Trump's Unilateral Actions Reversed a Steady Course.

The cost of living was the central issue during the 2024 election. Between January 20, 2021, and January 20, 2025, inflation had cumulatively risen by 21.5 percent.⁷ After adjusting for inflation, private sector average weekly earnings shrank 4 percent. Despite the strong job market created by big fiscal policy, disrupted supply chains, low interest rates, and the Russian invasion of Ukraine all contributed to inflation soaring to an annual rate of 9.2 percent in July of 2022.⁸

However, thanks to the action of Congressional Democrats and the Biden Administration, inflation was brought down over the course of the next two years, as supply chains rebuilt, clean energy investment expanded, and the deficit was reduced. Between July of 2022 and December of 2024, inflation slowed from 9.2 percent to 2.9 percent while maintaining an unemployment rate of between 3.5 and 4 percent and adding nearly 6 million jobs.⁹ A successful soft landing.

President Trump's unilateral policy decisions reversed course on inflation and job creation – moving us from a soft landing to a period of emerging stagflation. Below is a graph that documents the reversal in inflation trends due directly to tariffs:

Trump's Trade War Raised Prices

US Retail Prices for Imported and Domestic Goods, Indexed to January 2024



Note: Last updated February 26, 2026

Figure 5. Tariff effects on core goods PCE prices



Note: Core goods PCE inflation in February 2026 is an FRB staff estimate. The dashed line represents the average 12-month percent change in published core goods PCE prices from January 2015 – December 2019.

Source: Authors' calculations using data from the BEA, BLS, Census, the Executive Office, the Federal Registrar, and Customs and Border Protection.

Accessible version

This data is unambiguous: tariffs raised prices, because that is what they are meant to do. The Federal Reserve went further in their description of the contribution by providing a counterfactual of what inflation would look like without tariffs. The core finding of the Fed's paper was that Tariffs implemented through November 2025 raised core goods prices by 3.1 percent through February 2026. Explaining the entirety of excess inflation (above the 2 percent target and contributing 0.8 percent to overall inflation).¹⁰

The President enacted these tariffs – ruled illegal by the supreme court – unilaterally. It was solely President Trump's policy decision to raise prices, and the data is clear: he did. But tariffs aren't the only contributor to inflation. President Trump's illegal war of choice in Iran, launched by his sole discretion, contributed to inflation jumping to 3.3 percent in March 2026, led by soaring oil costs and the fastest jump in gas prices ever.¹¹

Unlike 2022, it was the direct decisions of the President that caused surging inflation.

- President Trump unilaterally imposed taxes – without Congress and without debate – in the form of tariffs that are designed to raise prices.
 - This reversed the declining inflation he entered office with.
 - This caused the Federal Reserve to pause interest rate cuts, making capital less affordable for homebuyers and small business owners.
 - These tariffs contributed to nearly a full percent of inflation and raised goods prices by over 3 percent.¹²
- Trump collected over \$287 billion in tariff revenue in 2025.¹³ Of that, \$160 billion was ruled illegal by the supreme court.¹⁴ These tariffs cost small businesses at least \$83.3 billion in direct costs.¹⁵
- The average small business importer paid \$353,558 in tariff costs in 2025, 248,000 more than the previous year.¹⁶
 - For the average small business importer with fewer than 20 employees, this resulted in roughly \$162k in direct costs – or over \$13k a month – in 2025.¹⁷
- But that's not all – Trump's illegal war of choice is causing prices to skyrocket.
 - Inflation in March jumped nearly a percent in March, up to 3.3 percent.¹⁸
 - Led by a jump in energy costs: 21.2 percent for gasoline (the highest one month jump ever) and 30.7 percent for fuel oil.¹⁹
- This is not just a more expensive commute, it means flights are more expensive, slowing down travel and hurting small businesses dependent on tourism.

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- It also means the price of diesel, which underpins the movement of goods throughout the U.S., is surging. Hurting companies that need their goods shipped as well as independent truck drivers.
 - Amazon, UPS, and FedEx have all added fuel surcharges, ranging from 3.5 to 8 percent.²⁰
 - Airlines like United, Delta, and Jet Blue have raised baggage fees.²¹
- It also affects fertilizer, which will cause food costs to increase – especially during planting season this year.

Bottom-Line: Trump’s unilateral decisions caused surging inflation, which caused consumer sentiment to crater to the lowest level on record in March 2026. Never before has there been such a direct line between the decisions of a single person and the imposition of higher costs on the broad economy. This not only affects the input prices for small businesses, but the ability of consumers to pay for their goods, and the ability of workers to live on the wages they’re paid.

Trump Doesn’t Care About the Care Economy

Some of the largest expenses in U.S. household budgets are the costs of health care and childcare. These are not just family pocketbook issues, they are small business issues. To pay for tax giveaways for the wealthy, the President and Congressional Republicans made record cuts to healthcare, both in direct cuts to Medicaid, changes to the Affordable Care Act, and allowing enhanced Premium Tax Credits for ACA plans. Across all these cuts, an estimated 16 million people could lose their insurance, according to the Congressional Budget Office. In addition, childcare continues to be a burden on small business owners and their employees, demanding significant portions of family budgets. Just a few weeks ago, President Trump said it’s “not possible” to fund Medicaid, Medicare, and day care, because we have to take care of “one thing: military protection.” Instead of making investments in American businesses, the President would rather spend money on fighting wars overseas.

Trump and Congressional Republicans made massive cuts to healthcare, putting extreme cost burdens on poor people and small businesses.

- The One Big Beautiful Bill made more than \$1 trillion in cuts to Medicaid and the Affordable Care Act, threatening the health coverage of over 10 million people.²²
- Republicans also allowed the Enhanced Premium Tax credits to expire, which kept costs down for millions of Americans and now threatens the coverage of an additional 4.2 million people.
 - Over 5 million small businesses rely on enhanced premium tax credits, 4.4 million of which will now see an average premium increase of over \$1,500.²³
 - Small business owners worry about changes to healthcare coverage for themselves, citing financial stress due to higher costs (73%), having to provide private coverage to employees (44%) and challenges recruiting and retaining employees without coverage (43%).²⁴
 - According to Small Business Majority, 74% of small business owners support extending the enhanced premium tax credits.²⁵

- Now Republicans are once again proposing making further cuts the healthcare to provide supplemental funding to the Department of Defense to fight an illegal war in Iran.²⁶

Childcare remains a significant burden for small businesses, and affects their ability to run their business and attract their workforce.

- According to a poll by small business majority, 56 percent of small business owners with children say their own childcare issues have forced them to take time away from their business, and nearly a quarter have had to stop their business and rejoin the workforce.²⁷
- 62 percent of small employers report unplanned employee absences due to childcare, and 30 percent have lost employees entirely over it.²⁸
- President Trump recently said that the U.S. government cannot fund Medicaid and childcare programs because we have wars to fight.²⁹
- Democrats recognize that childcare is a small business issue and that providing a universal system will benefit small business owners' ability to compete in the marketplace.

Bottom-line: President Trump and Republicans want to pay for wars overseas and tax cuts for the rich by defunding health care and childcare services. That is not America first.

Trump's AI Buildout and War in Iran are causing utilities and fuel to skyrocket.

Underlying virtually all prices in the economy is the cost of energy, and essential input in building stuff, moving stuff, and enjoying the basics of modern life. President Trump's policies have made energy sources scarcer and left the economy more dependent on oil – vulnerable to cost shocks and shortages in the global marketplace. By repealing incentives for clean energy here in the U.S., one of the fastest growing U.S. industries was put at a competitive disadvantage for producing energy. Moreover, by deregulating AI development, preempting state regulations, and granting his biggest tariff exemption to the AI industry, significant amounts of capital were invested into building data centers, driving up utility costs for businesses and communities. Not only does this harm consumers' ability to spend their money at small businesses, reallocating to essentials like food, gas, and rent, but it literally hampers the ability of small businesses to keep the lights on.



Trump said he wanted “energy dominance” but his policies have made energy scarce.

- Even before the illegal attack on Iran that sent fuel oil prices surging at the fastest rate on record, Trump was attacking the very infrastructure that would make us more resilient to higher oil prices.
- The One Big Beautiful Bill repealed seven tax credits for consumers that would help people purchase electric vehicles, make their homes and businesses more energy efficient, and install clean energy infrastructure.³⁰
 - It also phased out important business tax credits that were expanding U.S. manufacturing and innovation in clean energy.
- Furthermore, the Administration’s reckless disregard for any safety or constraint on artificial intelligence has caused a surge in data centers without the accompanying electrical capacity.
 - AI data centers also account for one of the largest tariff exemptions, further incentivizing the allocation of investor capital into the industry.
 - As a result, energy prices are surging for small businesses. Electric and gas utilities requested nearly \$31 billion in rate increases in 2025, more than double the \$15 billion requested in 2024. This rate increases affect 81 million people.³¹
 - Small businesses are getting hit harder than consumers: The commercial sector saw the highest electricity price increase of any sector in December 2025 – up 7.8 percent year over year, compared to 6 percent for residential.³²

Bottom-line: Trump’s policies are pushing up overhead costs – crushing small businesses that are already struggling with higher costs. Even before the war in Iran that has resulted in the largest oil shock in history, Trump’s policies were making us less resilient and more dependent on globally traded oil while removing the guard rails

Trump is undermining SBA Services that could help small business owners.

Affordable prices are contingent on the ability of small businesses to compete in the marketplace. But at every step, Trump has undermined small businesses by cutting services offered by the SBA, creating policies that keep interest rates high for small business loans, and consolidating the federal contracting practices, resulting in less competition and higher costs for the taxpayer. The SBA acts to bolster competition in the economy by supporting small businesses, resulting in lower prices for better products and services, and genuine innovation that improves quality of life, but Trump’s undermining of these principles have made it harder for small businesses to get the counseling they need or access the capital necessary to grow, or to access markets they need to sell their products or services.

President Trump and Administrator Loeffler are dismantling the SBA.

- Administrator Loeffler cut 2,700 employees from the SBA, or 43% of the workforce, erasing institutional knowledge, and leaving critical skills gaps in the wake.
 - In the first 9 months of 2025, the number of employees in the district and regional offices dropped from 640 to 470.³³
- The Administrator proposed eliminating funding for 15 of the counseling and training programs which support small business startups as they establish themselves and grow – including many women, veterans, and underserved entrepreneurs.
 - Funding for SCORE, Women’s Business Centers and Veterans Business Outreach Centers, which provide free or low cost training
 - Even though Congress funded these organizations, the SBA has refused to distribute that funding – withholding tens of millions for small business counseling
- The Administrator significantly restricted eligibility for SBA loans, by effectively barring all U.S. small businesses with any amount of ownership by a non-citizen from participating in the SBA’s two primary lending programs.³⁴

President Trump’s policies are keeping interest rates high and capital unaffordable for small business owners.

- When Trump re-entered office, interest rates were falling consistently as inflation subsided, but his tariffs caused the inflation to reignite, causing the Fed to put a pause to interest rate cuts.³⁵
- As a result, interest rates on SBA 7(a) loans can range between 9 and 15 percent, restricting the affordability of capital for small business owners.³⁶
- Not only is the cost for inputs high, but the cost of the money to buy those inputs is high, making it harder for small businesses to start up and compete in the marketplace.
- And because that cost is so high, early default and last-12 month Default rates continue to rise. The conditions that Trump is creating are driving small businesses into bankruptcy and default.
 - According to private data from Epiq, small business bankruptcies under subchapter V of chapter 11 (a streamlined reorganization path for small businesses) jumped 67% in the first quarter of 2026, compared to the same period last year.³⁷

The Trump Administration has completely rewritten government contracting with the goal of eliminating small businesses and favoring consolidation that price gouges taxpayers.

- DOGE and federal agencies indiscriminately terminated government contracts regardless of value, almost 60% of which belonged to small businesses.³⁸ At the VA, estimates suggest that upwards of two-thirds of cancelled contracts were awarded to veteran-owned small businesses.³⁹
- Small business contracting dollars are down under the Trump Administration – the first time small business contracting has seen a decrease in decades.⁴⁰

- Behind closed doors, the Trump Administration rewrote contracting rules to reduce opportunities for small businesses and decrease spending down from the record high of \$183 billion under the Biden Administration.⁴¹
 - In certain areas “every mention of small business requirements are marked for deletion.”⁴²
- The Trump Administration fired small business and acquisition staff regardless of value, including removing critical SBA personnel and slicing GSA’s acquisition workforce by 30%.⁴³
- This results in the consolidation of power among the contracting base, which will turn around and demand higher prices for their services. Competition from small businesses would bring those prices down, but the Trump Administration is more interested in corruptly favoring large incumbents.

Bottom-line: President Trump and Kelly Loeffler have ripped apart services from the SBA that create more competition in there economy and bring down prices for everyone. By restricting their ability to compete with large corporations – through the elimination of services, the inaccessibility and unaffordability of capital, or through the loss of access to the federal marketplace – the U.S. economy grows even more concentrated, allowing big corporations to price gouge consumers and enrich their investors at our expense.

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