

THE HIDDEN COST OF TARIFFS

IMPACTS ON SMALL BUSINESS
OPERATIONS, INVESTMENT, AND GROWTH



SMALL BUSINESS
roundtable

A MESSAGE FROM SMALL BUSINESS ROUNDTABLE

America's small businesses are the backbone of our economy and the foundation of local communities across the country. They create jobs, drive innovation, strengthen supply chains, and keep Main Streets moving. But today, entrepreneurs are operating in a moment of significant transition. As the United States rethinks its trade posture and pursues policies aimed at strengthening domestic production, small businesses are facing rising costs, shifting supply chains, and growing uncertainty.

Tariffs are often discussed as a tool to address unfair trade practices, protect strategic industries, or strengthen American competitiveness. Those goals matter. But for small businesses, broad and rapidly changing tariffs are not abstract policy decisions – they are immediate costs that affect whether a business can order inventory, hire workers, launch new products, or expand. Tariffs may create winners and losers, but when they are applied too broadly or without meaningful relief, they risk weakening the very small business ecosystem that policymakers are working to support.

At a time when the federal government is considering new tariff actions, policymakers should keep small businesses at the center of the conversation. Trade policy should be targeted, predictable, and designed with the realities of small firms in mind. That means lower and more targeted tariffs wherever possible, meaningful relief for small businesses and products without viable domestic alternatives, and clear timelines and guidance so business owners can plan with confidence.

The United States is experiencing a historic wave of entrepreneurship. Policymakers should not allow broad, unpredictable tariff policy to undercut that momentum. A strong small business economy requires policies that support investment, innovation, supply chain resilience, and long-term certainty. As Congress and the Administration consider the next phase of U.S. trade policy, Small Business Roundtable urges them to pursue approaches that address legitimate trade concerns without imposing unnecessary costs on America's entrepreneurs.

Small businesses can help build a stronger, more competitive American economy. But they need trade policy that helps them grow – not one that makes growth harder.



EXECUTIVE SUMMARY

The Small Business Roundtable (SBR) developed this report to assess how tariffs are affecting small businesses across the United States and to inform policymakers in Congress and the Administration about the operational realities facing entrepreneurs and small firms.

Small businesses are highly exposed to tariff-related costs. According to the U.S. Census Bureau, firms with fewer than 500 employees account for approximately 97 percent of importing businesses.¹ Many rely on globally sourced materials, intermediate goods, and finished products that are difficult or costly to replace in the short term.

Recent tariff actions, including Section 301 tariffs on imports from China, Section 232 tariffs on steel and aluminum, and broader tariff proposals affecting imports across multiple countries, have significantly increased costs for many small businesses. In addition to direct tariff costs, firms are also navigating heightened uncertainty surrounding changing tariff rules, future trade actions, and evolving compliance and refund processes.

The findings of this report suggest that broad, rapidly changing, and unpredictable tariffs can have disproportionate effects on small businesses because smaller firms often lack the financial flexibility, supplier leverage, compliance infrastructure, and working capital needed to quickly adapt. Across sectors, small businesses report raising prices, delaying inventory purchases, slowing hiring, postponing expansion plans, reducing investment in innovation, and redirecting time and resources toward tariff compliance and supply chain management.

At the same time, the United States is experiencing a historic surge in entrepreneurship and new business starts. This entrepreneurial momentum represents one of the strongest drivers of long-term economic growth and job creation in the United States. However, when businesses delay hiring, postpone expansion, reduce investment, or put new products on hold, the effects extend beyond individual firms. Left unaddressed, these pressures risk slowing business formation, constraining innovation, and weakening the entrepreneurial ecosystem that supports local communities and economic competitiveness.

SBR's central finding is that broad, rapidly changing, and unpredictable tariffs can impose significant unintended consequences on small businesses. Policymakers should pursue lower, more targeted, and more predictable tariff policies, alongside meaningful relief for small businesses and products where viable domestic alternatives do not exist. Combined with policies that support domestic investment, supply chain resilience, capital access, and infrastructure modernization, these approaches can help strengthen U.S. competitiveness while ensuring that entrepreneurs and small businesses remain positioned to grow, innovate, and create jobs.

¹ "A Profile of U.S. Importing and Exporting Companies, 2022-2023," U.S. Census Bureau, April 3, 2025. <https://www.census.gov/foreign-trade/Press-Release/edb/edbrel2023.pdf>

INTRODUCTION

The Small Business Roundtable (SBR) developed this report to examine how tariffs are affecting small businesses across the United States and to inform policymakers in Congress and the Administration about the operational realities facing entrepreneurs and small firms.

While tariffs are often intended to address trade imbalances, strengthen domestic production, or support national security objectives, they also function as a direct and often unavoidable cost for many small businesses. These costs influence pricing, sourcing, hiring, investment, inventory management, and long-term growth decisions.

This report examines how tariffs are affecting small businesses across key operational areas, including costs, supply chains, hiring, investment, and innovation. It also outlines policy considerations aimed at reducing unnecessary burdens on small businesses while supporting long-term U.S. competitiveness, domestic investment, and entrepreneurial growth.

TARIFFS AND SMALL BUSINESSES

U.S. tariff policy has expanded significantly in recent years through Section 301 tariffs targeting imports from China, Section 232 national security tariffs on steel and aluminum, and broader tariff proposals affecting imports across multiple countries and sectors. These tariffs apply to many of the goods small businesses rely on, including electronics, machinery, manufacturing components, consumer products, industrial inputs, and raw materials.

For small businesses, tariffs are not simply a macroeconomic policy tool. They function as a direct operating cost that affects production, sourcing, inventory management, and pricing decisions.

The February 2026 Supreme Court decision invalidating tariffs imposed under emergency authorities has led to a federal refund process through the Customs Automated Processing Environment (CAPE).² While many refund requests have reportedly been submitted successfully, businesses continue to report technical challenges and administrative burdens associated with documenting claims and recovering previously paid tariffs.^{3 4}

At the same time, uncertainty surrounding future tariff actions continues to complicate long-term business planning. Policymakers have increasingly turned to existing statutory authorities, including Section 301, to pursue additional trade measures. Recent and proposed Section 301 actions addressing issues such as forced labor and global excess production capacity suggest that tariffs are likely to remain a significant feature of the trade policy landscape even as certain emergency-authority tariffs are phased out or invalidated.⁵ For small businesses, this continuing uncertainty can make it difficult to plan sourcing, pricing, inventory, and investment decisions.

² Amy Howe, "Supreme Court strikes down tariffs," SCOTUSblog, February 20, 2026. <https://www.scotusblog.com/2026/02/supreme-court-strikes-down-tariffs/>

³ Victor Reklaitis, "Businesses trying to claim tariff refunds run into problems, as government officials briefly pause access to portal," MarketWatch, April 22, 2026. <https://www.marketwatch.com/story/businesses-trying-to-claim-tariff-refunds-are-already-running-into-problems-74637ecf>

⁴ Alex Bitter, "Getting a tariff refund has become a bureaucratic nightmare for small businesses," Business Insider, May 23, 2026. <https://www.businessinsider.com/businesses-face-hurdles-getting-us-tariff-refunds-forgotten-passwords-2026-5>

⁵ "USTR Makes Findings and Proposes Action in 60 Section 301 Investigations Relating to Failures to Take Action on Trade in Forced Labor Goods," U.S. Trade Representative, June 2, 2026. <https://ustr.gov/about/policy-offices/press-office/press-releases/2026/june/ustr-makes-findings-and-proposes-action-60-section-301-investigations-relating-failures-take-action>

TABLE 1: MAJOR U.S. TARIFF MEASURES AND SMALL BUSINESS IMPACTS

| Tariff Measure | Goods / Countries Affected | Typical Rates | Small Business Impact |
|-----------------------------------|---|------------------------------|---|
| Section 301 Tariffs | China and other targeted imports, including goods associated with unfair trade practices, forced labor concerns, and excess production capacity | ~7.5–25% | Raises costs for imported components and finished goods used by small retailers, manufacturers, and distributors. |
| Section 232 Tariffs | Steel, aluminum, automobiles, industrial inputs from multiple trading partners | ~10–50% depending on product | Increases costs for construction, manufacturing, equipment purchases, and capital investment. |
| Section 122 / Broad-Based Tariffs | Broad import categories across countries | 10% proposed | Expands tariff exposure across supply chains and increases economy-wide input costs. |
| IEEPA Tariffs (Invalidated) | Broad-based import tariffs previously imposed under emergency authority | Various | Resulted in substantial tariff payments and ongoing refund and compliance challenges for businesses. |

CORE IMPACTS ON SMALL BUSINESSES

RISING COSTS AND MARGIN PRESSURE

Tariffs directly increase the cost of imported goods, intermediate inputs, and manufacturing components used throughout the economy. Federal Reserve Bank of New York research estimates that between 86 and 94 percent of tariff costs are passed through to U.S. importers, increasing costs for domestic businesses.⁶ For small businesses, these costs often arrive without warning and must be absorbed immediately, regardless of whether customers are willing to pay more.

Small businesses often face difficult choices between passing higher costs on to customers or absorbing those costs internally through lower margins. According to the National Small Business Association's 2026 Small Business Economic Report, the majority of small businesses say they have incurred increased costs, and among those, 74 percent say those cost increases are due to tariffs.⁷ Many firms choose to absorb at least part of these costs out of concern that raising prices could drive away customers. As a result, tariffs can function as a direct tax on growth, reducing the cash flow businesses would otherwise use to hire workers, invest in equipment, develop new products, or expand operations.

These challenges are particularly acute for businesses that depend on specialized inputs, machinery, or components that cannot be sourced domestically at the necessary scale, quality, or price.

SUPPLY CHAIN AND INVENTORY CHALLENGES

Small businesses are deeply integrated into global supply chains. Many firms rely on long-standing supplier relationships, specialized manufacturing inputs, or internationally sourced products that cannot easily be replaced. Tariffs on intermediate goods create cascading effects throughout supply chains by increasing costs at multiple stages of production and distribution.

Although some businesses attempt to identify alternative suppliers, switching suppliers can be costly and time-intensive. U.S. International Trade Commission research indicates that firms often do not quickly shift suppliers in response to tariffs because of product specifications, contract structures, supplier qualification requirements, and limited domestic capacity.⁸ In some cases, supplier transitions can take 12 to 18 months.

SMALL BUSINESS SPOTLIGHT

BRIAN BIANCHETTI

CEO,
People's Choice Beef Jerky



“As a fourth-generation family business manufacturing beef jerky in Los Angeles, we're often viewed as the type of company that should be insulated from tariffs. The reality is that even businesses like ours operate within a global supply chain.”

As a fourth-generation family business manufacturing beef jerky in Los Angeles, People's Choice Beef Jerky sources its primary ingredient from U.S. ranchers and prioritizes domestic production whenever possible. Yet the company still relies on packaging materials, seasonings, equipment components, and other inputs that are affected by global trade dynamics. According to CEO Brian Bianchetti, tariff-driven cost increases ripple throughout the supply chain, creating higher costs and making long-term planning more difficult even for businesses built around American manufacturing.

⁶ Mary Amiri, Chris Flanagan, Sebastian Heise, and David E. Weinstein, “Who Is Paying for the 2025 U.S. Tariffs?” Federal Reserve Bank of New York, Liberty Street Economics, February 12, 2026. <https://libertystreeteconomics.newyorkfed.org/2026/02/who-is-paying-for-the-2025-u-s-tariffs/>

⁷ “Small Business Economic Report,” National Small Business Association, March 2026. https://www.nsbadvocate.org/_files/ugd/fec11a_f6d6cc146d4e4d24aea0aa0b48964857.pdf

⁸ “Economic Impact of Section 232 and 301 Tariffs on U.S. Industries,” U.S. International Trade Commission (USITC), March 2023. <https://www.usitc.gov/publications/332/pub5405.pdf>

Tariff uncertainty also complicates inventory management. Some firms increase inventory purchases ahead of tariff implementation, tying up working capital and reducing liquidity. Others reduce inventory orders to manage costs, increasing the risk of shortages and lost sales.

Because small businesses generally operate with more limited cash reserves and financing options than larger firms, these disruptions can quickly become operational challenges rather than temporary inconveniences. Delayed shipments, higher inventory costs, and supplier uncertainty can force businesses to postpone customer orders, delay projects, or tie up capital that would otherwise be used to support growth and hiring.

HIRING, INVESTMENT, AND INNOVATION SLOWDOWN

Tariff-related cost increases extend beyond day-to-day operations and increasingly affect hiring, investment, and long-term growth decisions. As costs rise and business conditions become less predictable, firms may delay hiring, constrain wage growth, reduce hours, or postpone expansion plans. A recent analysis by the Federal Reserve Bank of San Francisco found that tariff increases have measurable labor market effects, with each 1 percentage point increase in tariffs associated with roughly a 0.1 percentage point rise in unemployment, implying a 10 percent tariff increase could raise unemployment by about 1 percentage point in the short run.⁹ For small businesses, the result is often a shift from growth-oriented decision-making to risk management and cost containment.

Tariffs also increase the cost of capital goods and equipment investment, discouraging investment in expansion, technology, and productivity improvements. More broadly, tariffs and trade policy uncertainty appear to be influencing small business growth and innovation decisions across sectors. A 2025 Goldman Sachs 10,000 Small Businesses Voices survey found that 77 percent of small business owners identified uncertainty surrounding changing tariff policies as a major concern, while broader cost pressures and financing constraints led nearly half of surveyed firms to halt expansion plans.¹⁰

⁹ "The Economic Effects of Tariffs," Federal Reserve Bank of San Francisco, November 24, 2025. <https://www.frbsf.org/research-and-insights/publications/economic-letter/2025/11/economic-effects-of-tariffs/>

¹⁰ "Small Businesses Plan to Grow Despite Capital, Tax, and Trade Uncertainty," Goldman Sachs, June 5, 2025. <https://www.goldmansachs.com/community-impact/10000-small-businesses-voices/insights/small-businesses-plan-to-grow-despite-capital-tax-and-trade-uncertainty>

SMALL BUSINESS SPOTLIGHT

JD MITCHELL

*Co-Founder,
Modica*



"We haven't raised our prices. Instead, we've spent our time finding more economical solutions—but that's time and energy taken away from growing the business."

JD Mitchell's business has seen the cost of glass bottles increase by 17 percent over the past year as suppliers passed through tariff-related costs. To avoid raising prices for customers, the company has sought alternative suppliers. But each supplier change requires product testing and approval by its co-packer before production can move forward, extending lead times and delaying manufacturing schedules. According to Mitchell, managing these disruptions has diverted valuable time and attention away from other projects and business priorities, illustrating how tariffs can create operational costs that extend well beyond the tariff itself.

Similarly, Kiplinger reported that many small businesses postponed major purchases, reevaluated suppliers, delayed pricing decisions, reduced inventory orders, or redirected capital toward managing rising costs rather than growth initiatives.¹¹ Regional manufacturing surveys reinforce these findings. A 2025 Manufacturing Advocacy and Growth Network survey of Ohio manufacturers found that 71 percent of firms no longer ranked new product development among their top three priorities, the lowest level in years, while 25 percent fewer companies launched new products compared to 2023.¹²

Together, these trends suggest that tariffs are not simply increasing costs, but changing business behavior. When firms delay hiring, postpone expansion, reduce investment, or scale back innovation, the effects extend beyond individual businesses and can weaken the broader small business ecosystem over time.

The costs of tariffs are ultimately borne by real businesses, real workers, and real communities. Across the country, small business owners report making difficult tradeoffs involving hiring, expansion, pricing, investment, inventory, and product development as costs rise and uncertainty increases. While the specific challenges vary by industry, the common theme is clear: resources that could otherwise support growth are increasingly being redirected toward managing higher costs and navigating uncertainty.

DELAYED HIRING

For Katrina Golden, co-owner of Lil Mama's Sweets & Treats in Augusta, Georgia, tariffs have increased costs across a range of essential supplies, including cups, utensils, packaging materials, and imported coffee beans.¹³ One supplier warned that the cost of coffee cups alone could rise from \$225 to as much as \$400 per case. While Golden has worked to avoid passing those costs on to customers, the uncertainty surrounding future costs has made growth decisions more difficult. Lil Mama's Sweets & Treats would hire two additional employees if Golden could be confident in sustaining those positions over the long term, but ongoing trade policy changes make that commitment difficult to justify.

SMALL BUSINESS SPOTLIGHT

CHRISTINE KROGUE

*Owner,
Mama Moon Boutique*



“We laid off employees, put new product development on hold, and spent months trying to navigate the tariff refund process instead of growing our business.”

For Mama Moon Boutique, tariff-related costs had direct consequences. Owner Christine Krogue reports that the company laid off two employees because it could no longer absorb rising costs. At the same time, staff spent significant time navigating refund requirements and gathering documentation instead of focusing on business growth. Ongoing uncertainty also led the company to postpone development of new products, illustrating how tariff pressures can affect both day-to-day operations and future innovation.

¹¹ Mark Valentino, "To Raise Prices or Not to Raise Prices: Tariff Tips for Small Businesses," Kiplinger, October 13, 2025. <https://www.kiplinger.com/business/small-business/raising-prices-tariff-tips-for-small-businesses>

¹² "Tariffs and Turbulence: How Ohio Manufacturers are Navigating a Shifting Trade Landscape," Manufacturing Advocacy and Growth Network, November 2025.

¹³ <https://www.lilmamasweets.com/>

Gladys Harrison, owner of Big Mama's Kitchen & Catering in Omaha, Nebraska, faces a similar challenge. Her restaurant relies on imported spices and seasonings used in many of its signature dishes.¹⁴ As ingredient costs have increased, Harrison has chosen not to pass those costs on to many of her customers, many of whom are working families. Instead, she has delayed hiring for much-needed staff positions while attempting to absorb the additional expense. Together, these examples demonstrate how tariff-driven cost increases can directly limit job creation, even among businesses that would otherwise be hiring and expanding.

GROWTH CAPITAL REDIRECTED TO TARIFF COSTS

For some businesses, tariffs are directly competing with expansion plans.

Gabe Hagen, founder of Brick Road Community Corporation in Tempe, Arizona, relies on imported coffee, tea, cups, lids, and other paper products.¹⁵ Anticipating additional tariff costs, Hagen spent \$26,000 to stockpile coffee cups before new tariffs took effect. Despite that effort, he still experienced a 12 to 15 percent increase in paper goods and packaging costs. As a result, the company redirected approximately \$75,000 that had been earmarked for expansion and growth initiatives toward managing higher operating expenses and supply chain uncertainty.

Hugo Ramirez, owner of Frio Mexican Treats in Appleton, Wisconsin, reports that import costs have increased for specialty ingredients, cups, and containers.¹⁶ Delivery expenses alone have risen by approximately \$200 per shipment, while revenue has declined by roughly \$8,000 compared to the prior year. Although Ramirez has increased prices on some premium products, he has intentionally maintained the same price for a single scoop of ice cream for seven years. The resulting financial pressure has forced the business to become more cautious about hiring and payroll decisions while also reducing charitable giving and community fundraising efforts. Rather than funding expansion, hiring, new locations, or equipment purchases, capital is increasingly being redirected toward managing higher operating costs and preserving financial stability.

MANUFACTURING DISRUPTIONS AND LOST BUSINESS OPPORTUNITIES

Manufacturers report that tariffs and trade uncertainty are affecting production schedules, customer relationships, and future business opportunities.

Carrin Harris, CEO of Blitz Proto in Farmington Hills, Michigan, relies on steel, aluminum, and electronic components sourced through global supply chains.¹⁷ Earlier this year, a critical order supporting a medical device customer was repeatedly delayed when suppliers cited tariff-related disruptions and requested additional payments to cover unexpected shipping and tariff expenses. The resulting two-month delay strained a key customer relationship and created uncertainty around future business opportunities. Some of Blitz Proto's customers have already reconsidered partnerships due to ongoing supply chain instability.

Doug Scheffel, president of ETM Manufacturing in Littleton, Massachusetts, has experienced similar challenges.¹⁸ Rising tariffs and supply chain disruptions have forced the company to put three major projects on hold, including work supporting medical infrastructure and pharmaceutical manufacturing. Key components sourced from China have become increasingly difficult to obtain, while rising material costs have made production planning more difficult. At the same time, monthly sales have fallen from approximately \$400,000–\$500,000 to \$200,000–\$250,000, contributing to the difficult decision to reduce staff in order to keep the business operating. For manufacturers, tariffs can affect far more than input costs. They can delay projects, strain customer relationships, reduce sales opportunities, and undermine long-term competitiveness.

¹⁴ <https://bigmamaskitchen.com/>

¹⁵ <https://www.brickroadcc.com/>

¹⁶ <https://www.friowisconsin.com/>

¹⁷ <https://blitzproto.com/>

¹⁸ <https://etmmfg.com/>

UNCERTAINTY AND THE COST OF PLANNING

For many business owners, the greatest challenge is not a single tariff increase but the uncertainty created by constantly changing trade policies.

Legrand Lindor, CEO of LMI Textiles in Milton, Massachusetts, distributes harm reduction products to health departments across the country.¹⁹ Earlier this year, the company was unexpectedly assessed an additional \$5,000 in tariffs on a shipment that had already been ordered and delivered. At the same time, tariff volatility prompted suppliers to shift responsibility for customs duties, taxes, and other import-related costs onto LMI – expenses that suppliers had previously handled. Because many of the products LMI distributes are either not manufactured in the United States or are significantly more expensive when sourced domestically, the company has limited ability to avoid these costs. For LMI, the challenge extends beyond the tariff itself. When costs change unexpectedly and responsibilities shift without warning, it becomes far more difficult to forecast expenses, remain competitive, and plan for future growth.

Walt Rowen, president of Susquehanna Glass Co. in Pennsylvania, reports similar concerns.²⁰ The company relies on imported ornaments, mugs, tumblers, and other products used throughout its operations. Because tariff policies have changed frequently and affected multiple countries, it has become increasingly difficult to forecast costs, plan production schedules, and make long-term business decisions. For many small businesses, uncertainty itself has become a significant burden, forcing owners to make pricing, sourcing, and investment decisions without confidence about the costs they may face in the months ahead

TARIFFS IN ACTION: SMALL BUSINESS STORIES

Tariffs are occurring alongside a broader set of economic pressures that are already challenging small businesses. Since 2019, consumer prices have risen by approximately 25 percent, while producer prices have increased significantly across major supply chain sectors.²¹ Producer prices in wholesale trade industries have risen by nearly 50 percent since 2019, increasing the cost of the inventory, materials, and supplies that many small businesses purchase from distributors and wholesalers. At the retail level, where many small businesses interact directly with consumers, producer prices have increased by approximately 26 percent over the same period.²²

Figure 1: Producer Price Index Increase Since 2019



At the same time, shipping and logistics costs remain elevated relative to historical norms. Federal Reserve data from the Global Supply Chain Pressure Index (GSCPI), which combines transportation cost data and manufacturing indicators, show that supply chain pressures have rebounded from post-pandemic lows, increasing by more than 2 index points since 2023 and returning to levels above historical norms.²³ This resurgence reflects renewed strain in global logistics and transportation networks, contributing to higher costs and greater uncertainty for small businesses.

Higher interest rates have further increased borrowing costs for small businesses. The Federal Reserve raised benchmark interest rates from near zero to over 5 percent between 2022 and 2024 and remains above recent historical levels, significantly increasing financing costs for small businesses.²⁴ As financing becomes more expensive, firms may delay hiring, reduce inventory purchases, or postpone capital investment.

These overlapping pressures reduce flexibility and make it more difficult for small businesses to absorb additional tariff-related costs.

¹⁹ <https://www.lmitextiles.com/>

²⁰ <https://www.susquehannaglass.com/>

²¹ <https://www.bls.gov/cpi/data.htm>

²² <https://www.bls.gov/ppi/databases/>

²³ "Global Supply Chain Pressure Index (GSCPI)," Federal Reserve Bank of New York. <https://www.newyorkfed.org/research/policy/gscpi#/overview>

²⁴ "Effective Federal Funds Rate," Federal Reserve Bank of New York. <https://www.newyorkfed.org/markets/reference-rates/effr>

POLICY CONSIDERATIONS FOR SUPPORTING SMALL BUSINESS COMPETITIVENESS

Trade policy plays a critical role in shaping the operating environment for small businesses. As policymakers evaluate tariff policy and broader trade strategies, it is important to consider how these decisions affect entrepreneurship, investment, competitiveness, and long-term growth. Policymakers should prioritize approaches that reduce unnecessary tariff exposure, improve predictability, and minimize unintended consequences for small businesses.

The findings of this report point toward several policy considerations that can help reduce unnecessary costs and uncertainty for small businesses while strengthening long-term U.S. competitiveness. Policymakers should prioritize approaches that reduce unnecessary tariff exposure, improve predictability, expand opportunities for domestic investment, and support the long-term growth of America's entrepreneurs.

At the same time, policymakers should recognize the importance of preserving entrepreneurial growth and innovation. Between 2020 and 2025, more than 31 million new business applications were filed in the United States.²⁸ Ensuring that these firms can grow and scale will require an economic environment that supports investment, long-term planning certainty, and access to affordable capital.

Figure 2: New Business Applications Since 2020

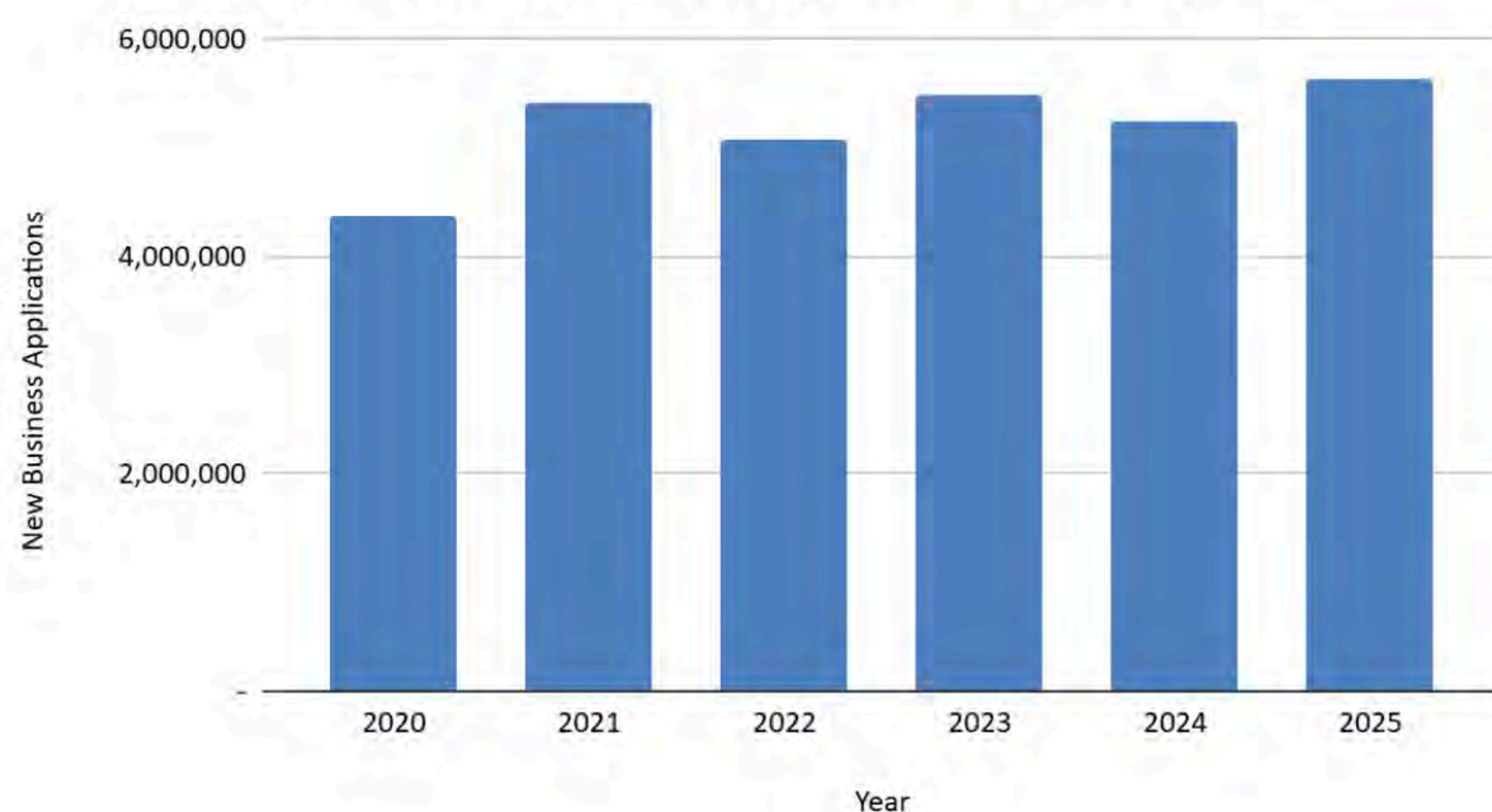


TABLE 2: POLICY PRIORITIES TO SUPPORT SMALL BUSINESS COMPETITIVENESS

| Category | Policy Priority | Description |
|--|---|---|
| Lower, More Targeted, and More Predictable Tariffs | Reduce Broad-Based Tariff Exposure | Prioritize lower, more targeted, and more predictable tariff policies that minimize downstream impacts on small businesses while preserving flexibility to address legitimate trade and national security concerns. |
| Tariff Certainty and Predictability | Improve Transparency and Long-Term Planning Certainty | Implement tariff policies through transparent frameworks tied to clearly defined objectives, with implementation timelines, regular reviews, and clear criteria for modification or removal so businesses can plan sourcing, pricing, and investment with confidence. |
| Small Business Relief | Provide Relief Where Domestic Alternatives Are Limited | Establish meaningful relief mechanisms for small businesses and for products, intermediate goods, or manufacturing inputs where viable domestic sourcing alternatives do not exist. |
| Domestic Investment and Firm Growth | Support Investment and Scaling of Small Businesses | Support domestic investment and the scaling of small businesses through expanded access to capital, workforce development, and investment incentives such as accelerated depreciation and Section 179 expensing, reducing reliance on imports while strengthening U.S. production capacity. |
| Supply Chain Resilience | Expand Supplier Development and Technical Assistance Programs | Strengthen programs such as the Manufacturing Extension Partnership (MEP) and State Trade Expansion Program (STEP) to help small businesses diversify suppliers and markets, strengthen domestic sourcing, and access new markets. ^{25 26} |
| Access to Capital | Expand Financing and Working Capital Access | Expand access to SBA 7(a) and 504 loan programs and other financing tools that help businesses manage cost volatility and invest in operations and growth. ²⁷ |
| Infrastructure and Logistics | Improve Port Efficiency and Transportation Systems | Invest in freight systems, ports, and transportation infrastructure to reduce logistics costs, improve reliability, and strengthen supply chain competitiveness. |

²⁵ <https://www.nist.gov/mep>

²⁶ <https://www.sba.gov/funding-programs/grants/state-trade-expansion-program-step>

²⁷ <https://www.sba.gov/funding-programs>

²⁸ Business Formation Statistics, U.S. Census Bureau. <https://www.census.gov/econ/currentdata/?programCode=BFS>

CONCLUSION

Tariffs are not simply a trade policy tool for small businesses, but a direct business cost that affects pricing, margins, hiring, investment, innovation, and growth. While some domestic industries may benefit from tariff protections, many small businesses bear these costs without the scale, capital flexibility, or supplier leverage needed to adapt quickly.

The examples highlighted throughout this report demonstrate that tariffs are influencing real-world business decisions across sectors. These impacts extend beyond individual businesses, affecting workers, customers, local communities, and the broader pace of economic growth.

The United States is experiencing a historic surge in entrepreneurship. Preserving this momentum, particularly among small manufacturers who are building products, creating skilled jobs, and strengthening domestic supply chains, will require policies that support investment, predictability, and long-term planning certainty.

Policymakers should pursue three priorities: (1) lower, more targeted, and more predictable tariffs with meaningful relief for small businesses and products without viable domestic alternatives; (2) greater predictability in trade policy implementation so firms can plan sourcing, pricing, and hiring with confidence; and (3) expanded support for domestic investment, capital access, and supply chain resilience. These approaches can strengthen U.S. competitiveness while ensuring small businesses remain engines of growth and job creation.

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