

**To:** Chairs Cusack and Moran and Members of the Joint Committee on Revenue  
**From:** Massachusetts Budget and Policy Center, Policy Director Phineas Baxandall  
**Re:** Support for H.2811, “An Act to establish the micro business employee training and workforce development program”

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Thank you Chairman Cusack, Chairwoman Moran and members of the Joint Committee on Revenue.

My name is Phineas Baxandall, Policy Director at the Massachusetts Budget and Policy Center. We are a nonprofit think tank advancing equitable policy solutions that create an inclusive, thriving Commonwealth. I testify today in support of House bill 2811, “An Act to establish the micro business employee training and workforce development program.”

This legislation would provide tax credits and a training program to support truly small businesses that hire and retain individuals who were recently incarcerated or are on transitional assistance. The bill would create a much-needed business category for targeting tax credits and every dimension of the bill advances important racial equity implications:

- State [data show](#) Black people are six times more likely to be incarcerated than white people; Hispanic/Latinx people are more than three times as likely. For formerly incarcerated individuals, there is great value in regular work with the close supervision of a proprietor in concert with the worker training program that would accompany this legislation.
- Likewise, [DTA demographic data](#) show people of color are overrepresented among recipients of transitional assistance, who would benefit from these employment opportunities.
- Meanwhile, people of color who own a business tend to have less access to capital. As a result, their business is more likely to be small scale. Two-thirds of entrepreneurs that hire employees use family or personal savings to start a company, yet a typical U.S. white family holds eight times the wealth of the typical Black family and five times the wealth of a typical Latinx family.

This bill targets support to truly small businesses, owners who live in Massachusetts, employ no more than ten employees, and annually gain no more than \$250,000 in profits (that’s after subtracting costs). These are the kinds of businesses that political leaders talk about when we enact business supports and subsidies.

Unfortunately, far too often these microbusinesses are the face of tax breaks and public subsidies that end up chiefly benefiting large corporations. To be fair, a big part of the problem is that we typically lack the administrative categories to designate what is a truly small business. If you ask, “what is a small business,” the answers aren’t clear and often don’t seem like small businesses.

It makes sense to define small business in terms of the number of employees or the extent of its business activity. The federal Small Business Administration, however, defines a small business as generally having less than 500 employees. That’s not what most of us think of as a small business.

We often enact tax benefits extolling small business as a way to build wealth in struggling communities or to lift up workers who've fallen out of the labor market. But the tax policies approved in the name of our struggling "small businesses" typically lack rules to ensure benefits are targeted to businesses that are small. This legislation ensures public support would go to truly small businesses and would harness their close connection to their community and personal touch to bring more marginalized workers into the labor force.

We urge you to favorably report H. 2811 out of committee.

Thank you for your time and consideration.

Respectfully submitted,

Phineas Baxandall  
Policy Director, Massachusetts Budget and Policy Center