

From: [Francine Lipman](#)
To: [TACRE](#)
Subject: ITIN Modernization Recommendations
Date: Monday, November 13, 2023 3:54:40 PM
Attachments: [FINAL Memo on ITIN Needs for DPC\[4\].pdf](#)

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hot off the presses two separate recommendations for IRS-Individual Taxpayer Identification Number (ITIN) modernization:

First, a memo from an Immigrant Advocacy Coalition from their meeting with the White House Task Force on New Americans earlier this month:

And

The Internal Revenue Service Advisory Council (IRSAC) 2023 annual report ITIN-specific recommendations released last week.

You can access the entire report here: <https://www.irs.gov/newsroom/irs-advisory-council-issues-2023-annual-report>

The ITIN modernization section begins on page 163 of the report, but I have pasted the list of recommendations below.

ITIN Modernization Recommendations

1. Develop a pre-filing ITIN application procedure that allows new ITIN applicants and ITIN holders with expired ITINs to submit Form W-7 separately and ahead of their income tax return.
2. Identify two to three key improvements that would cause more VITAs to provide CAA services, such as:
 - a. Review the CAA application process to make it more accessible to minority communities.
 - b. Publicize the CAA program as a VITA engagement and promote it by highlighting each VITA site that partners with a CAA or acquires the ability to provide CAA services.
 - c. Declare a CAA-ITIN Awareness Day.
3. Test and scale up the effect of combined VITA/CAA services by executing a carefully targeted “pilot program” to evaluate the co-location of VITA services with new CAA services in two to three

key geographical areas where TACs are not easily reached.

4. Establish a requirement for all VITA sites to apply for at least one CAA or show a working agreement with a CAA as part of their grant application.
5. Improve the Acceptance Agent (AA) Program AA/CAA locator online search tool by incorporating the same zip code search mechanism used by the IRS VITA locator tool, including the option to search for AA, CAA, or both, and including a support process for AAs and CAAs to update their contact information.
6. Ensure that Quality Assurance (QA) on the IRS Direct File Pilot includes multiple test cases with ITIN holders as the primary, secondary, or dependent. 120 Acceptance Agent Program: <https://www.irs.gov/individuals/international-taxpayers/acceptance-agent-program>. Get Free Tax Prep Help: <https://irs.treasury.gov/freetaxprep/>.
7. Build a specialized customer service ITIN unit with consistently and highly trained staff that is also diverse, multilingual, and multicultural.
8. Review Form W-7 instructions with the goal of including better plain language instructions and update required documents to include educational materials and illustrative examples when appropriate.
9. Evaluate the capability of using document upload tools to minimize the use of paper for Form W-7 applications and allow for electronic filing.
10. Allocate IRS staff on Taxpayer Assistance Centers to perform CAA and uploading services, without the taxpayer having to mail their documents, W-7 and 1040 documents when staffing allows it.
11. Digitize the ITIN application process by creating an online portal for applications and supplemental documents, if needed.
12. Work with the Treasury Department's Office of Tax Analysis (OTA) and other partners to better understand and publish the needs of taxpayers with ITINs by using data and research.

As always, if you have any questions please do not hesitate to reach out.

Best,

Francine J. Lipman
William S. Boyd Professor of Law
University of Nevada, Las Vegas
William S. Boyd School of Law
4505 South Maryland Parkway

Box 45103
Las Vegas, Nevada 89154

francine.lipman@unlv.edu
Twitter handles are @narfnampil and
@UNLVLawLITC

Tune in for TaxTalkTuesdays on KUNV 91.5FM at 8:45am or
link [https://hyperlink.services.treasury.gov/agency.do?
origin=https://scholars.law.unlv.edu/taxtalk/](https://hyperlink.services.treasury.gov/agency.do?origin=https://scholars.law.unlv.edu/taxtalk/)

Office 702-895-5092

Access my Scholarship at
<https://hyperlink.services.treasury.gov/agency.do?origin=www.ssrn.com/author=334178>

MEMORANDUM

To: Alexander Wang, Deputy Director for Immigration, Domestic Policy Council (DPC)
Mikaela Gerwin, Special Assistant for Health, Veterans and Immigration, DPC
Sonia Lin, Senior Fellow, Consumer Financial Protection Bureau

From: Laura MacCleery, Senior Policy Director, UnidosUS
Santiago Sueiro, Senior Policy Analyst
Jackie Vimo, Senior Policy Analyst, National Immigration Law Center
Pablo Blank, Director, Immigrant Integration, CASA
Luz Arévalo, Senior attorney, Director, Low-Income Taxpayer Clinic, Greater Boston Legal Services
Angela Divaris, Attorney, Greater Boston Legal Services
Brayan Rosa Rodriguez, Executive Director, Instituto del Desarrollo de la Juventud

Date: November 6, 2023

Re: **Request for White House and DPC Leadership on Individual Taxpayer Identification Numbers (ITIN) Modernization and Inclusion**

We are so grateful for your interest, time, and attention on steps to address challenges concerning the Individual Taxpayer Identification Number (ITIN) application process. Below is more detail on key issues and recommendations for your consideration. Work on this issue comports well with the goals of the White House Task Force on New Americans. Optimizing ITINs is central to the Task Force's goal of welcoming immigrants by reducing integration obstacles and amplifying supportive programs. ITIN reforms would help to reinforce that immigrants are vibrant contributors to both our economy and communities. The Task Force's mandate for immigrant success and an urgent need to rationalize the system for ITIN applicants are powerfully interwoven.

Overview of Current IRS Process to Obtain an ITIN and Its Serious Challenges

Individual Taxpayer Identification Numbers (ITINs) serve a vital economic purpose for immigrant families. Federal law requires all workers to file tax returns and pay taxes on income earned in the United States, regardless of immigration status. Yet immigrants who are ineligible to obtain a Social Security number (SSN) must navigate a special Internal Revenue Service (IRS) process to obtain an ITIN in order to be compliant with these tax laws. As we explain below, access to an ITIN represents an on-ramp to financial inclusion and self-sufficiency. Rationalizing ITIN rules to ease immigrant access opens pathways for individual and communal prosperity that benefit us all.

Access to an ITIN has also come to be a key step in unlocking doors to community contribution and financial inclusion that would otherwise be closed. ITIN eligibility enables homeownership, education investments, and small business entrepreneurship that benefits whole communities. With ITINs, immigrants can open a bank account, qualify for a loan or mortgage, start a business

and contribute to their local economy, and claim tax credits that support their family's health and wellbeing.

ITINs are now a tool to access state benefits nationwide. Many states allow ITIN holders to receive state tax benefits, including the [state Child Tax Credit \(CTC\)](#), state [Earned Income Tax Credit \(EITC\)](#), and other benefits. **[One in six children living in poverty in the U.S. has an ITIN-holding parent.](#)** Teens also need them to claim access to school stipends linked to educational programs. Without an ITIN, hundreds of thousands of immigrants will lose an opportunity to claim those benefits.

Without an SSN or an ITIN, immigrant families face severely restricted options. Millions earn income in eligible jobs or through entrepreneurship but cannot properly file and pay required taxes. Many resort to carrying cash, risking loss or robbery, or rely on predatory, high-cost financial services. Homeownership, college savings, and professional licensing can become practically unattainable.

In particular, we have heard frustration from city agencies seeking to provide opportunities for but which cannot issue stipends to a student whose family lacks an ITIN; from nonprofits offering training for childcare providers, but whose members cannot obtain needed state professional licenses; and from small entrepreneurs who lack a current federal tax reason to apply for an ITIN but whose prospective clients demand they must have an ITIN in hand to be able to hire and pay for services using a 1099 tax form.

We should be facilitating these steps towards shared prosperity and economic growth, not pushing people into unstable or dangerous jobs in an underground economy. We should not be discouraging independent contractors from starting a business, or workers seeking to address the tremendous need for licensed, high-quality childcare in their local neighborhoods, or students from participating in the paid internships for which they qualify, or states from providing social supports in the form of tax relief for the most vulnerable families.

As the [IRS Strategic Operating Plan](#) acknowledges, modernizing ITIN processing also fits squarely within the IRS commitments to digitization, equity, and customer service. Forthcoming recommendations from the IRS Advisory Council (IRSAC)—to be published November 8, 2023—are likely to underscore the need for improvements to the ITIN application process and its supports from IRS. Optimizing ITIN processing also provides a pragmatic opportunity to advance the goals of the White House Task Force on New Americans. ITIN reform would help remove barriers to integration and directly enable economic participation.

Under the current system, immigrants' efforts to comply with federal tax obligations comes at a needlessly high cost. Despite contributing billions in tax revenue using ITINs, immigrants must navigate an application process requiring extensive paperwork, following some 14 pages of

fine-print instructions, and enduring months-long wait times for the return of essential identification documents, and scant support. Opaque rejection notices from the IRS over minor issues like a missing phone number can trigger repeated delays that can last for months and require repeated corrections. The resulting process is frustrating for prospective immigrant taxpayers and exacts needlessly high costs for basic administration for the IRS.

Policy Steps to Address Gaps, Increase Federal Tax Revenues, and Advance Immigrant Inclusion

Modernizing ITINs offers an opportunity to improve equity in the tax system and enable immigrant families' economic and civic participation. A failure to address hurdles in the way of millions of potential tax contributors means millions in foregone federal revenues. Alleviating administrative burdens through sensible reforms provides shared benefits. Effective community partners stand ready to help, but they face substantial barriers in assisting immigrant taxpayers.

ITIN holders trying to comply with tax obligations face numerous barriers that include:

- **Applicants are unable to obtain an ITIN without complying with an IRS policy that the W-7 ITIN application must be filed alongside their tax return.** This simultaneous filing is not required by statute but was [an announced change](#) to IRS policy in December 2003, alongside conforming changes to the W-7 Form and its instructions. Such changes were opposed at the time by the [Taxpayer Advocate Service](#), which argued that the tax return requirement would “place unnecessary administrative hurdles” on taxpayers seeking to comply with tax laws and lacked any underlying tax or business justification. Notably, another implication of this requirement is that a child may not apply for an ITIN unless the presence of the child on the return alters the federal tax household definition (*i.e.*, from single to head of household) or allows for a federal tax credit.
 - As a practical matter, this can impose a long delay even on those who are eligible for an ITIN as they must wait until the next tax year to file both the application and return together.
 - As noted, having an ITIN can enable state tax filing, securing a driver's license, and accessing social programs at the state level. The absence of ITIN can become a Catch-22, making it harder to earn wages, access credit, qualify for a loan, or open a small business.
 - Although the IRS has long known that ITINs are used for range of purposes, since 2003, the agency has articulated a [hostile policy stance](#), including deep and expressed antipathy to the use of ITINs to access state benefits or other forms of economic supports and opportunities.
 - This policy has sometimes been justified as fraud prevention, although it has no discernible relationship to efforts to reduce fraud, which could be far more effectively enhanced with additional monitoring on both steps of the process (obtaining an ITIN and filing a return), and, given the passage of the last 20 years, fails to reflect the ability to address fraud

through other, more modern means, including advances in data management, information security, and anti-fraud analytics.

- While a lack of formal foreign identification for immigrants was once far more common, the increased issuance of passports, consular IDs, and municipal IDs today provides far more standardized and verifiable forms of documentary evidence to confirm identities, as used by the CAA programs.
- The requirement for a tax filing to accompany the ITIN paperwork [was recently extended in 2022](#) as a matter of IRS policy to include ITIN renewals.
- In the 1990s, when ITINs were initially created, issues pertaining to non-resident taxpayers were another major factor under consideration. Yet a vast majority of ITIN holders today are long-term residents with settled lives in the U.S., rather than transitory investors.
- Separate consideration of ITIN applications on a rolling basis would likely allow far more dedicated attention to fraud prevention that does the rush of returns and applications in tax season, while also facilitating all the benefits articulated here.
- Some taxpayers, such as those that are self-employed, face legal obligations for estimated tax payments and the inability to secure a timely ITIN will prevent them from making payments under the law. Similarly, if a taxpayer needs an extension to file, they must still make a timely payment, which is not feasible without an ITIN account number.
- Obtaining an SSN, which are [also designated as tax identification numbers \(TINs\)](#), have no such requirement, although they are also commonly used in [fraudulent schemes](#).
- Allowing separate IRS review of the W-7 application and a later but corresponding tax return would not require any statutory or regulatory changes, as the role of the IRS in issuing an ITIN (in light of the administrative convenience related to processing the ITIN before a return) would remain “solely for the purpose of federal tax administration,” just as it was prior to the 2003 policy changes.
- In light of the three-year renewal period, if needed, the W-7 form could include an assertion that the ITIN application will relate to an anticipated tax purpose for the individual or child in at least one or more of the subsequent three tax years.
- Although the IRS has historically imposed needless barriers for ITIN filers, the agency has also recently implemented measures to remove obstacles for applicants who need ITINs to access state programs. During the peak of the pandemic, the IRS created a [special process](#) to “assist eligible [New York] residents who are also ITIN applicants meet requirements for the New York State's Excluded Worker's Fund (EWF) payments.” Under this new process, ITIN applicants could schedule an appointment to visit a Taxpayer Assistance Center (TAC) to apply for an ITIN and receive a

stamped copy of their application to submit as part of their EWF application. Taxpayers who had previously applied, but not yet received their ITIN, could schedule an appointment to bring a copy of their application to a TAC; the IRS would then stamp their copy as received for their EWF application. The creation of a special process for ITIN filers to access EWF benefits is evidence that the IRS has the authority to implement policies to facilitate ITIN filer access to state benefits more broadly.

- **The IRS should take appropriate and reasonable steps to address fraud as needed across all of its programs, reverse its 2003 policy shift on initial ITIN applications and its 2022 policy change on ITIN renewals, and adjust its W-7 filing form and filing requirements accordingly.**
- **A burdensome application process that can impose months-long delays.** And timing is a problem—applicants filing a paper W-7 form will wait up to 11 weeks after their documents are received by the IRS to get their ITIN number issued if there are no errors in the application. Afterwards, once the ITIN has been approved, the IRS will start processing the paper tax return. For example, if a taxpayer applied for an ITIN alongside their tax return to receive a child tax credit refund in February of a given year, it is likely that the family would not receive their refund until the following June or after. Transitioning to electronic filing would improve efficiency and accuracy over error-prone paper applications. User-friendly online tools are needed so immigrants can readily comply with tax obligations.
 - In contrast, applications for new business tax IDs take applicants just one day.
 - **The IRS should allow rolling acceptance and processing of ITINs, improve the clarity of W-7 instructions and required documentation and allow electronic filing of W-7 applications;**
 - **ITIN filers should be included in the vision for Direct File and other planned IRS customer service upgrades.**
- In the absence of a Certified Acceptance Agent (CAA), applicants must mail their original passport and other personal documents to the IRS, which can leave immigrants without their only form of legal identification for months. This leaves immigrants unable to access hospitals, schools, or complete other essential tasks until documents are returned. It also risks permanent loss of critical ID, a violation of privacy, and enables identity theft.
 - **Every taxpayer assistance site should house a CAA and the IRS should develop secure additional means of digital identity verification consistent with privacy protections.**
- The rejection of documents missing one or two pieces of data and/or frequent rejection of applications for children on documentation grounds (yet the process lacks standardized forms for schools and medical records to complete, and modern report cards fail to display home addresses as the forms anticipate).

These repeated ITIN denials also generate higher administrative costs for the IRS to process incomplete returns and issue corrected refunds.

- The IRS rejects applications over minor clerical issues like missing phone numbers on medical records or inconsistencies in how schools format student attendance or report cards.
 - Filing taxes with dependents requires obtaining an ITIN for each child, triggering multiple rounds of document submissions and rejections.
 - **The IRS should develop standardized forms for common supporting documents and should make medical providers and schools aware of them and work to eliminate rejections over minor issues like missing phone numbers that can easily be verified online.**
- A lack of an online application option, unlike most modern systems.
 - **The IRS should develop a digital application process for the ITIN, expand e-signature and document upload flexibilities, and expand and centralize digital resources and supports for ITIN applicants.**
 - **The IRS should also create a process for direct filing, multilingual tools, and timely appeals.**
 - Expert sites like Volunteer Income Tax Assistance (VITA) locations frequently decline to help with ITINs due to a lack of training and support. IRS Taxpayer Assistance Centers (TACs) are limited in number and unavailable in many areas with high immigrant populations. Moreover, TAC centers are often very intimidating spaces for certain taxpayers and might dissuade attendance because of a lack of community trust.
 - **The IRS should adopt a “no wrong door” approach to ITIN applicants and develop CAA programs and capacity at every VITA and TAC by requiring VITA grant recipients to provide CAA support, co-locating ITIN application assistance at VITA sites alongside tax prep services.**
 - **IRS should fund more nonprofits to offer free or low-cost multilingual CAA help and increase VITA funding to cover the more than 150 million Americans eligible to receive tax assistance.**
 - **IRS should create a dedicated ITIN site, a customer support unit and multi-lingual hotline, and take the following steps to:**
 - **Expand IRS training, materials, and technical assistance available to VITA programs on ITIN filing and documentation processes;**
 - **Create a dedicated point of contact at IRS for VITA/CAA volunteers to access help resolving ITIN application problems or questions for their clients;**
 - **Allow VITA and CAA sites to upload verified documents electronically instead of applicants mailing originals to IRS;**
 - **Ensure VITA/CAA sites have secure print and photocopy access to provide verified copies of documents like passports;**
 - **Fund more mobile VITA programs that can physically meet ITIN filers at accessible community locations like libraries, schools, or churches;**

- **Use VITA/CAA sites as intake points for rolling ITIN applications before tax season rush; and**
 - **Add VITA and CAA partners to IRS-led working groups guiding ITIN modernization efforts.**
- CAAs provide expert assistance that many ITIN applicants desperately need to navigate complex documentation requirements. Obtaining CAA certification to help applicants is itself an arduous, opaque process requiring IRS approval and can take over a year, resulting in very limited numbers of CAAs.
 - There is an ongoing moratorium on new Certifying Acceptance Agent (CAA) approvals. In August 2022, the IRS abruptly announced it would halt approval of new CAAs until spring 2023, with no concrete timeline for resuming approvals, and new information suggests that the training will no longer be provided free-of-charge, even to non-profits.
 - Each day the moratorium continues, the window closes further on training new CAAs in time to help process ITINs in tax year 2024.
 - **The IRS should end the moratorium, immediately process pending applications on an expedited basis, and provide fee waivers for any training or filings costs for non-profits.**
 - **IRS should also collaborate with immigration legal services providers and partner with community organizations that serve immigrant communities to encourage participation in the CAA program.**
 - The [list of current CAAs](#) on the IRS Website should be improved for accuracy.
- A statutory requirement for ITIN renewals every 3 years if the number is not included in a federal tax return.
 - **Given the precipitous drop in ITIN filings since the PATH Act, the IRS should standardize and publish ITIN application and approval data.**

White House Leadership Is Needed to Prioritize ITIN Modernization and Economic Inclusion

At their core, barriers to obtaining and filing for ITIN holders undermine the substantial economic and social contributions of immigrant taxpayers. Immigrants enrich communities as entrepreneurs, workers, and neighbors. Easing ITIN access upholds American ideals of fairness and opportunity.

The outdated ITIN system sends the troubling message that immigrants are unwelcome in the communities they help sustain. Rationalizing ITIN administration recognizes immigrants' vital role and aligns with principles of equity and inclusion. Streamlined ITIN access offers a pragmatic entry point to affirm immigrant contributions.

We have seen praiseworthy results from White House leadership in the recent past on key tax initiatives. The White House's successful multi-pronged approach on CTC expansion provides a

roadmap for driving ITIN modernization, including hosting awareness days with family stories, collaborating with nonprofits on enrollment campaigns targeting underserved communities, and convening Cabinet officials to coordinate agency promotion and enrollment assistance. Similar strategic stakeholder engagement, purposeful communications, and inter-agency coordination focused on ITIN reform could inspire urgency at IRS and compel attention on improving access for immigrant families.

This task is not less important. Improving ITIN administration provides pragmatic opportunities to remove a major and permanent barrier inhibiting immigrant inclusion and equity. Transitioning to digitized systems, expanding assistance through trusted partners, restoring tax credit access, and coordinating across agencies offer achievable near-term steps. Most importantly, as noted above, such reforms align with the values-driven vision of the White House Task Force on New Americans.

Extensive improvements are achievable through regulatory updates and administrative guidance in the near term. For instance, allowing electronic ITIN applications and expanding language access falls within existing IRS authority. There is also broad discretion to simplify processes and moderate rules based on equity considerations. **An immediate focus could be pressure on the CAA moratorium and need for customer service improvements on ITINs in light of the coming tax season.**

Specific steps the White House could take **in light of the report from IRSAC and its recommendations on or after Nov. 8th include:**

- Formally transmitting a set of responsive ITIN reform recommendations to the Department of Treasury for review and asking for a point person to oversee and track progress on implementation on the recommendations.
- Directing the IRS to provide a briefing within 60 days detailing current ITIN application operations, challenges, and modernization plans.
- Working with IRS to shift practical requirements for obtaining an ITIN and to remove the regulatory requirement for federal tax liability at the time of filing.
- Working with US Treasury to embrace a vision of integrating VITA and CAA supports with a “no wrong door” approach.
- Initiating monthly working group meetings led by White House and Treasury officials with IRS ITIN leadership to drive digitization efforts and monitor improvements.

Reforming the ITIN process provides concrete opportunities to remove barriers to immigrant inclusion and equity. Transitioning to streamlined, electronic systems, expanding assistance through partners, restoring tax credit access, and coordinating across agencies offer viable near-term steps. Immigrants are integral to America's future: a vision to modernize ITINs would affirm their belonging and ensure that both immigrants and our national and local economies can reap the full benefits of their rich contributions. We stand ready to work with you on these and other ideas you may have.

From: [Christina Knudsen](#)
To: [TACRE](#)
Cc: [Wendy Baumann](#); [Jon Gaines](#); [Kamaljit Jackson](#)
Subject: WWBIC Comments to Treasury Advisory Committee on Racial Equity
Date: Wednesday, November 22, 2023 2:12:31 PM
Attachments: [image001.png](#)
[WWBIC Letter to Treasury Advisory Committee on Racial Equity.pdf](#)

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Secretary Yellen, Deputy Secretary Adeyemo, and Chair Nutter,

The Wisconsin Women's Business Initiative Corporation (WWBIC) submits the following comments to the Treasury Committee on Racial Equity as we work to advance racial equity in the economy and address acute disparities in communities of color. Thank you for all you do for us and so many others!



*Entrepreneurship and
Financial Wellness Training •
Lending • Coaching*

**Join us for the WWBIC
Annual Luncheon!**

Tuesday, November 28th
(Giving Tuesday!) is the day for our 2023 annual celebration at the Brookfield Conference Center. Get more details or [register here](#)

**Christina Knudsen, MEPD (she/her/ella) | Vice President,
Development & Communications
WWBIC**

A Leading Innovative Statewide Economic Development Organization

Statewide Headquarters/Milwaukee Office

1533 N. RiverCenter Drive | Milwaukee, Wisconsin | 53212

Direct: 608-799-5323 | General Info: 414-263-5450

cknudsen@wwbic.com | <https://hyperlink.services.treasury.gov/agency.do?origin=www.wwbic.com>

Check out our training sessions

Click below to view digital versions of our program catalogs:

[Greater Milwaukee](#) | [Northeast](#) | [South Central](#) | [Southeast](#) | [Southwest](#)

Reward our clients with your business!

Use the updated and improved [client directory](#) on our website.

If you're a WWBIC client, [click here to add](#) your business to our directory.

Join the WWBIC Team! We are searching for passionate people to join us in our mission of "Putting Dreams to Work". Learn more about our open positions at wwbic.com/careers

**Milwaukee/Waukesha | Madison | Racine | Kenosha | Appleton | Green Bay |
La Crosse | Statewide**





info@wwbic.com
wwbic.com

facebook.com/wwbic
twitter.com/wwbic
instagram.com/wwbic
linkedin.com/company/wwbic

Greater Milwaukee

1533 N. RiverCenter Drive
Milwaukee, WI 53212
Phone: 414.263.5450

Northeast

1191 N. Casaloma Drive
Appleton, WI 54913
Phone: 920.944.2700

2701 Larsen Road
Green Bay, WI 54303

South Central

2300 S. Park Street, Suite 103
Madison, WI 53713
Phone: 608.257.5450

Southeast

600 52nd Street, Suite 130
Kenosha, WI 53140
Phone: 262.925.2850

245 Main Street, Suite 102
Racine, WI 53403
Phone: 262.898.5000

Southwest

3500 State Road 16
La Crosse, WI 54601
Phone: 608.668.4400

Kiva@WWBIC

wwbic.com/kiva
facebook.com/KivaWisconsin

VBOC@WWBIC

wwbic.com/veterans
facebook.com/VBOCatWWBIC

U.S. Department of Treasury
Treasury Advisory Committee on Racial Equity
1500 Pennsylvania Avenue NW
Washington, DC 20220

Wednesday, November 22nd, 2023

Secretary Yellen, Deputy Secretary Adeyemo, and Chair Nutter:

The Wisconsin Women's Business Initiative Corporation (WWBIC) submits the following comments to the Treasury Committee on Racial Equity as we work to advance racial equity in the economy and address acute disparities in communities of color. Since 1987, WWBIC has served as the leading innovative economic development corporation and CDFI that is "Putting Dreams to Work" by assisting microenterprise and small businesses throughout the 72 counties in Wisconsin. We open the doors of opportunity by providing underserved individuals who are interested in starting, strengthening, or expanding businesses with access to critical resources such as responsible financial products and quality business/personal financial training. WWBIC focuses on individuals who face barriers in accessing business financing and technical assistance support including women, communities of color, veterans, and lower-wealth individuals. As a culturally effective organization, WWBIC strives to improve the economic well-being of underserved individuals by advancing inclusive entrepreneurship and facilitating self-sufficiency strategies.

In our over 36 years of impact, WWBIC has assisted over 72,700 individuals; loaned over \$107 million to small business borrowers; helped entrepreneurs create and retain over 18,000 jobs; and started, strengthened, and expanded over 9,000 businesses. In 2022, alone, WWBIC served 5,233 clients while approving \$10,613,333 in capital and closing \$8,511,667 in small business loans. WWBIC's clients started, strengthened, or expanded 2,162 businesses creating or retaining 5,019 jobs. All of this work is made possible via WWBIC staff and over 220 volunteers who provided 24,495 hours of counseling and training support.

Although the U.S. Department of Treasury has supported CDFIs like WWBIC via the Community Development Financial Institution Program Financial Assistance Grants, there are still resources that need to be strengthened in order to close the disparities faced by entrepreneurs of color. In an effort to close this gap, WWBIC participates as a Kiva U.S. Trustee and is able to provide crowd sourced 0% interest loans up to \$15,000 through Kiva@WWBIC, as an SBA Microloan lender, and SBA Community Advantage Lender. WWBIC is able to provide loans between \$1,000 and \$350,000 to entrepreneurs, including microenterprises and startups.

As a CDFI, WWBIC uses a holistic approach and includes high levels of training and technical assistance to borrowers. WWBIC's extremely proactive service delivery model for providing technical assistance to current and potential microentrepreneurs mitigates the risk of lending to traditionally unbankable borrowers as well as increases the success and longevity of microenterprises and their ability to create jobs. Clients interested in borrowing from WWBIC receive pre-loan technical assistance from WWBIC Loan Officers who work with clients to prepare their loan applications and business plans before presentation to WWBIC's Loan Committee for approval.



Pre-loan technical assistance also includes accounting, human resource management, and industry trends through group training as well as one-on-one consultation.

A WWBIC Small Business Consultant is assigned to each WWBIC microentrepreneur upon loan closing and begins providing individualized technical assistance that continues throughout the life of the loan. WWBIC also leverages its volunteer corps of over 220 community partners including those from Chambers of Commerce, SBA Service Corps for Retired Executives (SBA SCORE), banks, law firms, accounting firms, and others who act as coaches and mentors to WWBIC microentrepreneurs and assist them with industry-specific technical assistance. WWBIC microentrepreneurs also have access to WWBIC's online on-demand Initiate Portal which provides 24/7 access to small business resources including more than 100 interactive tools, templates, videos, articles, and guides for microentrepreneurs, all in ways that support various learning styles.

A key component to WWBIC's technical assistance is the provision of credit recovery. WWBIC's credit recovery services and training enhance the entrepreneurship training to entrepreneurs in not only understanding their credit score, but going deeper in ensuring that they understand the holistic nature of credit and their buying power that is tied to this credit. WWBIC walks alongside the entrepreneur for a full year during their credit recovery journey; teaching and guiding to ensure sustainability and independence to tackle credit issues, should any arise in the future. WWBIC's holistic model of entrepreneur support is unique in ensuring that credit is not temporarily "repaired," but that entrepreneurs understand the power of credit, and training them to understand credit and how to keep their recovered credit in excellent status.

WWBIC clients are supported for one full year of credit recovery through certified credit counselors who are teaching and educating on how credit scores, product mixtures, and credit histories inform this score. WWBIC's combination of training, credit recovery, and one-on-one financial counseling allows for greater long-term success for personal financial wellness and building generational wealth. Financial wellness and wealth accumulation is transformative across households and generations; it supports economic mobility and helps solidify a household's social, political, and economic status. WWBIC especially focuses on Black and Hispanic households who persistently are over-represented at the bottom of socioeconomic distribution (March 2022, Racial Disparities in Household Wealth Following the Great Recession, UW-Madison Institute for Research on Poverty).

Too many Americans have been denied the opportunity to become small business owners by turning their entrepreneurial ideas into action because they lacked the required capital to do so. Between 90% and 95% of entrepreneurs who hire additional employees require some amount of financing to start their business, making responsible capital a critical requirement for new job and business creation. However, many programs meant to provide capital to entrepreneurs are biased in favor of established businesses or individuals with higher individual wealth. (Kauffman Foundation, 2022, America's New Business Plan).



Across small business owners, black-owned firms that applied for traditional financing were least likely to receive all of the financing they sought (13%), followed by Hispanic-owned (20%) and Asian-owned (31%) firms. This is in comparison to 40% of white-owned small businesses receiving the total amount of financing they requested. Even among firms with good credit scores, black-owned firms were half as likely than white-owned firms to receive financing (Federal Reserve System, 2021 Small Business Credit Survey).

Traditional banking institutions reported a year-over-year decline in small business lending with the end of the Paycheck Protection Program even while credit usage by small businesses remained stable and demand for new credit increased during the same time period. Banks also tightened their credit standards for small businesses, especially for new business owners (Kansas City Fed, October 2022, Small Business Lending Survey).

While Wisconsin's overall unemployment rate of 3.1% and poverty rate of 10.4% were lower than the national average, Wisconsin has 289 high poverty areas according to the CDFI Funds definition. The US Census Bureau's Small Business Pulse Survey found that in December of 2021, 29% of small businesses reported the pandemic having a large negative impact on business and 42% reported a moderate negative impact. This was especially true for Black-owned businesses. As of April 2020, 41% of black-owned business closed and only about 12% of Black-owned and Hispanic-owned businesses received a federal Paycheck Protection Program (PPP) payment (The Milwaukee Business Journal, October 20, 2020).

The lack of PPP payments to small and minority-owned businesses was also exacerbated by system gaps which includes the high amount of time needed to complete a PPP application, a lack of understanding of what was needed to be done to receive a PPP payment. Business owners also reported that they felt locked out of the process because they were not connected to a chamber of commerce, a traditional bank, or other networks. PPP could have gone a long way in assisting these businesses, with 80% of minority-owned businesses in Wisconsin reporting cash flow issues as a challenge to surviving the pandemic and their ability to make payroll (Wisconsin Economic Development Corporation, Ethnically Diverse Business Community COVID 19 Response Assessment, 2022).

According to the most recent data by the Federal Reserve, the average loan amount for a new small business loan from a traditional bank is \$593,000 (Federal Reserve System, 2017, Survey of Terms of Business Lending). Requests for capital below this amount are often ignored by traditional banks and lenders, with CDFIs and SBA Microloan and Community Advantage lenders covering this gap up to \$350,000; meaning a gap of \$243,000 potential exists.

WWBIC Recommendations

The Treasury through its CDFI Program has the ability to strengthen small business lending CDFIs, much like it did to development CDFIs through the New Markets Tax Credit Program and Capital Magnet Program. A similar program could spur investment into small business lending CDFIs like WWBIC, allowing for the lending gap; and with it the economic gap to be closed.

WWBIC's model of entrepreneurship relies on credit recovery for borrowers. Credit recovery should be listed as an eligible development activity for CDFIs.