

The Issue

Virtually all businesses in the professional salon industry are closed. The majority of these small businesses are owned by women and will reopen with limitations on staff and services that can be provided to clients. The timeframe and stipulations attached to the Paycheck Protection Program generally do not work for the salon industry because 1) many salons will not reopen in the first or second phase leaving them closed potentially into late summer or early fall, 2) salons that can reopen have limitations placed on the number of staff allowed in the establishment, and 3) services provided to clients are restricted, all of which will impact staff and revenue. Many salon owners were unable to receive a loan and those that have are now troubled with how to utilize funds within the time frame allotted by the law given their uncertain circumstances.

The Solution

Provide salon industry business owners with immediate liquidity by temporarily extending the 45B FICA Tax Tip Credit and applying the credit retroactively, enabling them to access taxes they paid over the past four years. This credit already provides relief to the restaurant industry and should be extended to salons facing the same uncertainty. Salons need these funds to avoid permanent closure of their businesses. Salon owners pay taxes on tips, even though they do not earn any revenue from these tips, as these transactions are solely between the licensed beauty professional and the client. Bipartisan, bicameral legislation, sponsored by Congressman Darin LaHood, Congresswoman Suzan DelBene, Senator Ben Cardin and Senator Rob Portman, was previously introduced to extend the credit to salons.

The Industry

There are more than 1.2 million salon industry establishments in the United States. Sixty percent of these employment-based small business beauty salons are women-owned, which is three times higher than the women-owned business rate (20 percent) for the entire economy. Fourteen percent of individuals in the salon industry's diverse workforce are African American, compared to a national average of 12 percent. Twenty-three percent are Asian, compared to just six percent of the overall U.S. workforce. Sixteen percent of individuals in personal appearance occupations are of Hispanic origin. Eighty-three percent of individuals in personal appearance occupations are women, compared to 47 percent of employed individuals in the overall U.S. workforce, most of whom are out of work.

Data

Results from a survey of 1200 salon business owners show that 99.7% of the industry has been closed for over a month and 93% anticipate being able to reopen only on a phased or partial basis with substantial new costs for PPE, cleaning requirements and insurance. Not all salon small businesses have been able to receive loans, but among the small business owners that received a PPP loan, 37% are worried they will not meet forgiveness eligibility and 29% do not believe they will be able to use the funding in the time allocated due to the phased in re-opening in their state. Only 53% of salons believe they have the financial resources to reopen their businesses.