

THE TRUMP TARIFFS: A SMALL BUSINESS CRISIS

**U.S. Senate Committee on Small
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Introduction

On April 2, 2025, President Trump announced the most sweeping tariff hike the United States has seen since enactment of the Smoot-Hawley Tariff Act of 1930. With his tariffs, President Trump launched a global trade war against almost every country and a domestic trade war against America's Main Streets. For many, including the 34 million small businesses in the United States, it was not "liberation day" as Trump proclaimed, it was obliteration day.

The Trump Tariffs take the United States back nearly 100 years, to the days of Smoot-Hawley, Herbert Hoover, and the eve of the Great Depression. It has been nearly a century since the United States imposed such extensive tariffs. And for good reason: Smoot-Hawley led to an economic disaster and is largely credited with worsening the Great Depression.

Now, less than 100 days into his second administration, President Trump's broad and chaotic tariffs have triggered economic uncertainty, raised operational costs, and placed small enterprises on the brink. Unlike large corporations, small businesses — which employ nearly half of all American workers and generated 2.6 million new jobs in 2024 alone¹ — lack the financial cushion to absorb price shocks or the supply chain flexibility to adapt quickly.

President Trump's decision on April 9, 2025, to pause all reciprocal tariffs (except those on China) for 90 days provides little relief to small businesses that have experienced whiplash from Trump's on-again, off-again approach to this sensitive trade policy issue.² Uncertainty continues to loom, making it extremely difficult for small businesses to plan, invest, hire, and make other important decisions.

Supporting small business growth and encouraging entrepreneurship is in America's best interest. Small business success promotes fair competition, nourishes communities, and provides opportunities for the middle class. Tariffs can play a constructive role in trade policy when applied judiciously. But the Trump Tariffs are reckless and overly broad, causing disproportionate harm and posing an existential threat to the economic backbone of the country — its small businesses.

¹ U.S. Small Business Administration, Office of Advocacy, *New Advocacy Report Shows Small Business Total Reaches 34.8 million, Accounting for 2.6 million Net New Jobs in Latest Year of Data* (Nov. 19, 2024), <https://advocacy.sba.gov/2024/11/19/new-advocacy-report-shows-small-business-total-reaches-34-8-million-accounting-for-2-6-million-net-new-jobs-in-latest-year-of-data/> [hereinafter 'Advocacy'].

² Ana Swanson & Tony Romm, *Trump Reverses Course on Global Tariffs, Announcing 90-Day Pause*, N.Y. Times (Apr. 9, 2025), <https://www.nytimes.com/2025/04/09/us/politics/trump-tariffs-stocks-china.html>.

Tariff Policy and Its Broader Effects

A tariff is a tax on imported or exported goods. Before the 16th Amendment to the U.S. Constitution enabled income taxation in 1913, tariffs were a primary source of federal revenue.³ Today, they account for only a small fraction of federal income — \$80 billion of the \$4.43 trillion collected in 2024, or about 2%.⁴

Tariffs can protect domestic industries, serve as trade policy tools, or respond to unfair trade practices. But when misapplied, tariffs can do more harm than good. The Smoot-Hawley Tariff Act of 1930 is a case in point: its widespread tariffs sparked a cascade of retaliatory tariffs from U.S. trade partners, contributing to a dramatic downturn in international trade and worsening the Great Depression.

The Trump Tariffs threaten to repeat that history. Designed to be “reciprocal,” these tariffs were based on flawed math. The American Enterprise Institute found that the Administration miscalculated the elasticity of import prices, inflating tariffs beyond any rational economic basis.⁵ Broadly applied tariffs invite foreign retaliation and reduce overall economic output; the Budget Lab forecasts a loss of \$180 billion in Gross Domestic Product (GDP) annually over 10 years due to these actions.⁶

Tariffs also exacerbate economic inequality. Lower-income households spend a greater percentage of their income on goods, especially imported essentials, making tariffs regressive in nature. A projected \$4,900 increase in annual household costs due to the Trump Tariffs will disproportionately affect these families.⁷ The burden also falls hardest on women and communities of color, who are statistically more likely to be economically vulnerable.⁸ Tariffs raise prices on everyday goods and essential supplies. When imposed without nuance or strategy, they damage the very sectors they purport to protect — and in this case, they are hitting small businesses the hardest.

(Note: A full timeline of Trump’s tariff actions is included in Appendix A.)

³ U.S. Const. amend. xvi; *Constitutional Amendments – Amendment 16 – “Income Taxes”*, Ronald Regan Presidential Library and Museum, <https://www.reaganlibrary.gov/constitutional-amendments-amendment-16-income-taxes> (last visited Apr. 16, 2025).

⁴ Christopher A. Casey, Congressional Research Service, IF11030, *U.S. Tariff Policy: Overview* (Jan. 31, 2015) <https://www.congress.gov/crs-product/IF11030>.

⁵ Kevin Corinth & Stan Veuger, *President Trump’s Tariff Formula Makes No Economic Sense. It’s Also Based on an Error*, American Enterprise Institute (Apr. 4, 2025), <https://www.aei.org/economics/president-trumps-tariff-formula-makes-no-economic-sense-its-also-based-on-an-error/>.

⁶ *State of U.S. Tariffs: April 15, 2025*, The Budget Lab at Yale (Apr. 15, 2025), <https://budgetlab.yale.edu/research/state-us-tariffs-april-15-2025> [hereinafter ‘Budget Lab’].

⁷ *Id.*

⁸ *Women and Poverty in America*, The Women’s Legal Defense and Education Fund, <https://www.legalmomentum.org/women-and-poverty-america> (last visited Apr. 9, 2025); *see also*, U.S. Bureau of Labor Statistics, Report 1109, *Characteristics of minimum wage workers, 2023* (May 2024), <https://www.bls.gov/opub/reports/minimum-wage/2023/>.

The Impact of Trump Tariffs on Small Business

Small businesses operate on significantly smaller margins than large businesses, are less able to absorb extra costs, and are more likely to pass them onto consumers. Given forecasts of a U.S. recession following the announcement of the Trump Tariffs, consumers faced with higher prices and tighter budgets will likely spend less overall and prioritize spending at lower-cost retailers, which are typically large businesses.⁹ This will further compound the negative impact on small firms.

Increased Supply Costs

“Hitting companies like mine with tariffs that will make a container of my product cost \$100,000 more doesn’t help small businesses. It crushes us.”

— Adam Fazackerley, COO and co-founder, Lay-n-Go, Alexandria, Virginia, and U.S. Chamber Small Business Council member.

Small businesses operate on tight margins and are more vulnerable to supply chain disruptions than large corporations. The Trump Tariffs have driven up the cost of imported goods and raw materials on which small businesses depend. Unlike large firms, small businesses cannot easily switch suppliers or absorb significant cost increases.

Suppliers, in turn, are passing on their tariff-induced cost increases to their buyers. Small firms, often unable to negotiate discounts or scale purchases, pay more — sometimes much more — than their larger competitors. These rising costs slow production, reduce competitiveness, and leave business owners scrambling.

Harm to Importers and Exporters

“Many of our materials are imported. . . We are concerned that the price increase of our raw materials and goods will be prohibitive for us to sell our products in the U.S. market.”

— Sarah Shrader, owner and co-founder, Bonsai Design, Grand Junction, Colorado

“Additional tariffs on the components and raw materials we are importing will increase our costs and increase the likelihood of retaliatory tariffs on our exported products adding additional headwinds against our small business.”

— Tim Frey, president and CEO, MRP Bike, Grand Junction, Colorado

⁹ Megan Cerullo, *Trump tariffs raise odds of U.S. recession, Wall Street economists say*, CBS News (Apr. 7, 2025), <https://www.cbsnews.com/news/recession-risk-2025-goldman-sachs-jp-morgan-trump-tariffs/>.

Ninety-seven percent of U.S. importers and exporters are small businesses, and, in 2023, these firms accounted for nearly a third of U.S. imports and exports.¹⁰ For small importers, the increased costs of goods can be devastating. For exporters, retaliatory tariffs imposed by other countries in response to Trump’s policies have made their products less competitive abroad. The Yale Budget Lab forecasts a drop of more than 16% in overall exports over the next ten years.¹¹ Survey data shows:

- 78% of small businesses expect higher costs,
- 58% anticipate supply delays, and
- 49% struggle to find new suppliers.¹²

Decreased Profit Margins

“Small businesses run on very small margins. So a 25% increase in any product is going to hurt.”

— Sarah Payne, owner, Denver Concrete Vibrator, Denver, to the Associated Press

Rising supply costs are squeezing small businesses, forcing them to spend more for less, and cutting into already narrow profit margins. Owners must choose between raising prices — risking customer loss — or absorbing the costs, which weakens their financial resilience. For small businesses operating on razor-thin margins, one unforeseen expense, such as a damaged storefront or lost shipment, could mean the difference between survival and collapse.

The Trump Tariffs are exacerbating these pressures by driving up the cost of essential goods. Jessica Bettencourt, owner of Klem’s general store in Spencer, Massachusetts, told NPR that small businesses are now forced to prioritize “need-to-haves” over “nice-to-haves.”¹³ Founded by her grandfather 75 years ago, Klem’s sells everything from clothing to pet food — products now subject to higher input costs. Small business owners like Bettencourt must weigh growth against survival, cutting back on investments that could otherwise help their businesses thrive.

Similarly, Alex Clark, who runs Fort Hamilton, a rye and gin distillery in Brooklyn, New York, had to halt hiring plans to prepare for tariff-related price hikes. Anticipating higher costs for bottling supplies sourced globally, Clark stockpiled four months’ worth of inventory. Though the move bought him time, it also sidelined plans to add a new salesperson. “We think there’s plenty of opportunities for continued growth,” he told *The New York Times*, “but it is going to take

¹⁰ Advocacy, *supra* note 1.

¹¹ Budget Lab, *supra* note 6.

¹² *Economic Whiplash: Tariff Uncertainty is Freezing Small Business Growth*, Small Business For America’s Future (2025), https://irp.cdn-website.com/b4559992/files/uploaded/Economic_Whiplash_Stirs_Small_Business_Alarm.pdf [hereinafter *Economic Whiplash*].

¹³ Alina Selyukh, *Between tariffs and survival, American business owners are doing alarming math*, National Public Radio (Apr. 7, 2025), <https://www.npr.org/2025/04/07/nx-s1-5352833/trump-tariffs-china-manufacturing-businesses>.

more bodies. And it's difficult to put the body in when you don't know what the future looks like."¹⁴

Price Increases for Customers

"It's a big shock to the system. We're going to have no choice but to pass this on, a portion of it, to our customers. It's a matter of survival."

— Craig Freedman, CEO, Freedman Seating, Chicago, Illinois, to ABC 7 Chicago

"We do our best to minimize our price increases to the customer, but . . . if we want to stay in business . . . we . . . have to."

— Misty Skolnick, co-owner, Uncle Jerry's Pretzels, Lancaster, Pennsylvania, to the Pennsylvania Independent

Small businesses often have no choice but to pass rising supply costs onto customers. A survey by Small Business for America's Future found that 71% plan to raise prices to offset the Trump Tariffs.¹⁵ But with consumer confidence at its lowest since January 2021, many owners know their customers can't absorb those increases.¹⁶

Raising prices risks damaging customer relationships — especially for client-based businesses that rely on loyalty and repeat work. During an economic downturn, higher prices can drive customers away without generating enough revenue to cover losses. With unemployment rising and disposable income shrinking, fewer people can afford to support small businesses.

Price hikes also strain existing client relationships. Customers may delay or cancel projects, cutting into income and compounding the burden of rising costs.

The Whiplash Effect

A survey by Small Business for America's Future found that 72% of small businesses say erratic tariff policies create a "whiplash effect," disrupting planning and long-term decisions.¹⁷

Although harmful policies can be managed, it's the uncertainty that stalls decision-making.

"Uncertainty itself is harmful to business activity," said Stanford economist Steven J. Davis.¹⁸

¹⁴ Lydia DePillis, *Small Businesses Face a "Tornado" of Challenges: Cuts, Freezes, and Now Tariffs*, N.Y. Times (Apr. 6, 2025), <https://www.nytimes.com/2025/04/06/business/economy/trump-tariffs-small-business.html>.

¹⁵ *Economic Whiplash*, *supra* note 12.

¹⁶ Matt Ott, *Consumer confidence is sliding as Americans' view of their financial futures slumps to a 12-year low*, AP (Mar. 25, 2025), <https://apnews.com/article/consumer-confidence-economy-inflation-bd6ece8784efff205e2ab922bcb86958>.

¹⁷ *Economic Whiplash*, *supra* note 12.

¹⁸ Ben Casselman, *Does Uncertainty Harm the Economy? Business Leaders Are About to Find Out*, N.Y. Times (Feb. 15, 2025), <https://www.nytimes.com/2025/02/15/business/economy/business-uncertainty-economic-policy.html>.

Chad Coulter, CEO of Biscuit Belly, put it simply: “People in times of uncertainty just kind of hunker down, and they hold on to their money.” Businesses can’t adapt when they don’t know what’s coming next.¹⁹

Consumer and Business Uncertainty

Economic instability causes consumers to delay major purchases and spend more cautiously. Nicholas Pinchuk, CEO of Snap-on, noted a shift toward short-term, low-cost purchases — a trend large firms can adjust to, but small businesses often can’t. International customers are pulling back too.²⁰ Heleena Sideris of Park City Lodging reports cancellations and booking hesitations from Latin America and Canada, blaming tariffs and broader volatility: “These shifts are creating real pressure on our family business.”²¹ Businesses are likewise affected. “The threats and uncertainty have made it hard to make business decisions,” said Traci Tapani of Wyoming Machine.²² This unpredictability echoes the market turbulence seen before Smoot-Hawley in 1929. As economist Kris Mitchener notes, companies need clarity to invest.²³ Until then, 51% of small business owners say they’re pausing key decisions entirely.²⁴

Conclusion

Instead of Trump Tariffs that echo the Smoot-Hawley Tariff Act, invite a recession or worse, and obliterate small businesses, we need a new deal for small businesses. One that puts small businesses and hardworking Americans first, not billionaires. Small businesses are the backbone of the American economy. But to small business owners, Trump’s Tariffs are backbreaking.

As the ranking member on the U.S. Senate Committee on Small Business and Entrepreneurship, I view the Committee as having a responsibility to fight back against policies that decimate our Main Streets and to raise the voices of the 34 million small businesses that employ nearly half of all workers in America.

We must end this rollercoaster ride and provide certainty to small businesses. The evidence is overwhelming that the Trump Tariffs are a disaster for small businesses. Congress must intervene immediately and reverse the Trump Tariffs or risk the death of thousands of small businesses.

¹⁹ *Id.*

²⁰ Ben Casselman, Does Uncertainty Harm the Economy? Business Leaders Are About to Find Out, N.Y. Times (Feb. 15, 2025), <https://www.nytimes.com/2025/02/15/business/economy/business-uncertainty-economic-policy.html>

²¹ ‘A matter of survival’: Small Businesses Speak Out on Tariffs, U.S. Chamber of Commerce (Apr. 8, 2025), <https://www.uschamber.com/international/trade-agreements/american-workers-businesses-consumers-trade-tariffs>.

²² *Id.*

²³ *Id.*

²⁴ *Economic Whiplash*, *supra* note 12.

Appendix A: Trump Tariffs Timeline

FEBRUARY 2025

February 1, 2025: President Trump signs an executive order imposing tariffs on China, Mexico, and Canada. Although a 10% tariff on all Chinese imports goes into effect immediately, a 30-day pause is placed on Mexican and Canadian tariffs of 25%.²⁵ Canada announces retaliatory tariffs on food, appliances, apparel, vehicles, and other U.S. imports.²⁶

February 4, 2025: China announces a 10%-15% retaliatory tariff on all U.S. agricultural products.²⁷

February 10, 2025: President Trump announces a 25% import tariff on all steel and aluminum.²⁸

MARCH 2025

March 4, 2025: 25% tariffs on imports from Mexico and Canada temporarily go into effect but are paused the next day due to instability in financial markets.²⁹

March 6, 2025: President Trump exempts goods from Mexico and Canada that satisfy U.S.-Mexico-Canada Agreement (USMCA) requirements.³⁰

March 12, 2025: The European Union (EU) announces a retaliatory rebalancing tariff package against the United States.³¹

APRIL 2025

April 2, 2025, “Liberation Day”: President Trump announces that the United States will impose “reciprocal tariffs” on certain countries, plus a universal tariff of 10%. He refers to these tariffs as “reciprocal,” but the rates have little relation to the tariff rates or non-tariff barriers imposed on the United States by other countries.³²

April 4, 2025: The American Enterprise Institute releases an article that demonstrates how the Trump administration’s formula for setting “reciprocal tariffs” was off by a factor of four, leading to arbitrarily high rates for certain countries.³³

April 5, 2025: The stock market loses \$6.6 trillion over two days due to the announced Trump Tariffs and impending reciprocal tariffs.³⁴

April 7, 2025: Treasury Secretary Scott Bessent says President Trump is open to reaching deals with countries to ease tariffs.³⁵

April 8, 2025: U.S. Trade Secretary Jamieson Greer testifies before the Senate Committee on Finance that President Trump and his administration are open to talks with countries that have “alternative” plans to achieve trade reciprocity. He states the Administration is unlikely to negotiate with China at this time.³⁶

April 9, 2025: The EU approves new retaliatory tariffs on \$23 billion worth of U.S. goods, including a range of manufactured items, and farm products including soybeans and corn.³⁷

President Trump’s tariff on imported goods from China, originally 104%, goes into effect and is immediately increased to 125%.³⁸

President Trump announces a 90-day pause on the reciprocal tariffs he announced on April 2 for all countries except China.⁴⁹

²⁵Talya Minsberg, *A Timeline of Trump's On-Again, Off-Again Tariffs*, N.Y. Times (Mar. 13, 2025), <https://www.nytimes.com/2025/03/13/business/economy/trump-tariff-timeline.html>.

²⁶Richard Partington & Lucy Swan, *Trump's tariff war - a timeline of key announcements and events*, The Guardian (Apr. 2, 2025), <https://www.theguardian.com/us-news/2025/apr/02/trumps-tariff-war-a-timeline-of-key-announcements-and-events>.

²⁷*Id.*

²⁸Talya Minsberg, *A Timeline of Trump's On-Again, Off-Again Tariffs*, N.Y. Times (Mar. 13, 2025), <https://www.nytimes.com/2025/03/13/business/economy/trump-tariff-timeline.html>.

²⁹Wyatte Grantham-Philips, *A timeline of Trump's tariff actions so far*, PBS News (Apr. 4, 2025), <https://www.pbs.org/newshour/economy/a-timeline-of-trumps-tariff-actions-so-far>.

³⁰ Richard Partington & Lucy Swan, *Trump's tariff war - a timeline of key announcements and events*, The Guardian (Apr. 2, 2025), <https://www.theguardian.com/us-news/2025/apr/02/trumps-tariff-war-a-timeline-of-key-announcements-and-events>.

³¹European Commission Press Release, *The Commission, EU countermeasures on US steel and aluminium tariffs explained* (Mar. 11, 2025); *see also*, Richard Partington & Lucy Swan, *Trump's tariff war - a timeline of key announcements and events*, The Guardian (Apr. 2, 2025), <https://www.theguardian.com/us-news/2025/apr/02/trumps-tariff-war-a-timeline-of-key-announcements-and-events>.

³²Fact Sheet: *President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security*, The White House (Apr. 2, 2025), <https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-declares-national-emergency-to-increase-our-competitive-edge-protect-our-sovereignty-and-strengthen-our-national-and-economic-security/>.

³³Kevin Corinth & Stan Veuger, *President Trump's Tariff Formula Makes No Economic Sense. It's Also Based on an Error*, American Enterprise Institute (Apr. 4, 2025), <https://www.aei.org/economics/president-trumps-tariff-formula-makes-no-economic-sense-its-also-based-on-an-error/>.

³⁴Joseph Adinolfi, *U.S. stocks see biggest 2-day wipeout in history as market loses \$11 trillion since Inauguration Day*, MarketWatch (Apr. 4, 2025), <https://www.marketwatch.com/story/u-s-stocks-poised-for-biggest-two-day-wipeout-in-history-as-marketloses-9-6-trillion-since-inauguration-day-430919f6>; Ge Huang et al., *Trump's Tariffs Wipe Out Over \$6 Trillion on Wall Street in Epic Two-Day Rout*, Wall St. J. (Apr. 4, 2025), <https://www.wsj.com/finance/stocks/u-s-stock-futures-fall-further-after-china-retaliates-against-trump-tariffs-3be33fa7>.

³⁵Michael Stratford, *Bessent: Trump 'ready to negotiate' easing of tariffs*, PoliticoPro (Apr. 7, 2025), <https://subscriber.politicopro.com/article/2025/04/bessent-trump-tariffs-00277437?site=pro&prod=alert&prodname=alertmail&linktype=article&source=email>.

³⁶The President's 2025 Trade Policy Agenda: Hearing Before the S. Comm. on Finance, 119th Cong.

³⁷Jeanna Smialek, *Europe Votes to Retaliate on Some Trump Tariffs, Hours Before His Pivot*, N.Y. Times (Apr. 9, 2025), <https://www.nytimes.com/2025/04/09/world/europe/eu-tariffs-trump.html>.

³⁸Talya Minsberg, *A Timeline of Trump's On-Again, Off-Again Tariffs*, N.Y. Times (Mar. 13, 2025) <https://www.nytimes.com/2025/04/09/world/europe/eu-tariffs-trump.html>.

³⁹Ben Berkowitz, *Trump Scales Back Tariffs, Except on China*, Axios (Apr. 9, 2025), <https://www.axios.com/2025/04/09/trump-tariffs-pause-china-stocks-recession>; Elisabeth Buchwald & Kevin Liptak, *Trump Announces 90-day pause on 'reciprocal' tariffs with exception of China*, CNN (Apr. 9, 2025), <https://www.cnn.com/2025/04/09/business/reciprocal-tariff-pause-trump/index.html>.