



555 12th Street NW, Suite 1001
Washington, D.C. 20004

1-800-552-5342
NFIB.com

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Dear Representative,

On behalf of NFIB, the nation's leading small business advocacy organization, I write in strong support of H.R. 7198, the *Prove It Act of 2024*. This legislation would strengthen requirements for agencies to analyze the impact of regulations and increase small business engagement in the regulatory process. **This vote will be considered an NFIB Key Vote for the 118th Congress.**

Every four years, NFIB members rank "unreasonable government regulation" as one of the top problems facing their businesses.¹ Unfortunately, the regulatory burdens flowing out of Washington continue to rapidly increase and small businesses are desperate for relief. In fact, according to a recent member ballot, 90% of NFIB members believe that federal agencies should be required to consult with impacted small business owners before implementing major regulations.²

In 1980, Congress and President Carter recognized the disproportionate impact that burdensome regulations had on small businesses and enacted the Regulatory Flexibility Act (RFA). The RFA requires federal agencies to analyze the impact their regulatory actions will have on small entities. The law states that when the regulatory impact is likely to be significant or affect a substantial number of small entities, federal agencies are required to seek less burdensome alternatives for the regulatory action. Unfortunately, NFIB's 2023 study examining the effectiveness of RFA found that agencies often use loopholes in the RFA to underreport, minimize, or ignore the impact their regulatory actions will have on small businesses.³

Small businesses operate differently from their larger competitors. Most small businesses do not have compliance officers or lawyers who can help them navigate new regulatory requirements, leaving them disproportionately impacted by regulatory burdens. When agencies circumvent the requirements of the RFA to minimize the impact of burdensome regulations, it leaves small

¹ Holly Wade & Madeline Oldstone, *Small Business Problems & Priorities*, NFIB Research Center, July 2024, <https://nfib.com/wp-content/uploads/2024/10/2024-Small-Business-Problems-Priorities.pdf>

² *Mandate*, vol. 573, NFIB Member Ballot, August 2018, *Should all federal agencies be required to consult with impacted small business owners before implementing major regulations?* (Yes: 90% No: 4% Undecided: 5%)

³ Rob Smith, *The Regulatory Flexibility Act: Turing a Paper Tiger Into a Legitimate Constraint on One-Size-Fits-All Agency Rulemaking*, NFIB Legal Center, May 2023, <https://strgnfibcom.blob.core.windows.net/nfibcom/NFIB-RFA-White-paper.pdf>

businesses facing the brunt of new regulatory costs. These regulatory burdens result in forgone growth and investments back into their business.

H.R. 7198, the *Prove It Act* seeks to close loopholes in the RFA that federal agencies have exploited, ignored, or bypassed. H.R. 7198 would provide small businesses the ability to raise concerns when regulators fail to consider both the direct and indirect costs of their regulations. Additionally, the legislation allows small businesses to request the Small Business Administration's Office of Advocacy to review agencies' work and ensure agencies are fully compliant with the RFA. Lastly, if an agency fails to comply with the review process, H.R. 7198 exempts small businesses from the regulatory action altogether.

NFIB strongly supports H.R. 7198, the *Prove It Act*, and it will be considered an NFIB Key Vote for the 118th Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Temple". The signature is stylized and cursive, with a large initial "A" and "T".

Adam Temple
Senior Vice President for Advocacy
NFIB