

## New Study Shows Lawsuit System Costs Small Businesses

The Institute for Legal Reform released a new report today showing America's lawsuit system disproportionately impacts small businesses. The report found that in 2018, the U.S. tort system's commercial liability costs totaled \$343 billion. Small businesses with under \$10 million in annual revenue bore \$182 billion—or 53%—of those costs, even though they accounted for 19% of business revenue.

**The smaller the business, the higher the liability burden.** Those with under \$1 million in revenue bore 39% of the total commercial tort liability costs in 2018. On a per-dollar-of-revenue basis, these smallest businesses faced ten times as much commercial liability costs as bigger businesses.

**The overall cost of the U.S. tort system** for businesses is on the rise, too. The report found that commercial liability costs increased 14% in two years, from \$300 billion in 2016 to \$343 billion in 2018. That's three times greater than the rate of inflation over the same period.

The findings are no surprise to small business owners like Chuck Jones. Chuck owns Jones Coffee Roasters, an independent coffeehouse and wholesale roaster in Pasadena, CA. Instead of focusing on growing his business, Chuck spent hundreds of thousands of dollars over a decade fighting a lawsuit that accused coffee companies like his of violating California's controversial Prop. 65 law, which requires cancer warning labels on products. Every dollar that went to pay for legal bills was a dollar Chuck couldn't spend on hiring, expanding, or making new products.

**Why it matters:** This year has brought enormous challenges for every small business owner, and more lawsuits shouldn't be one of them. Based on the study's data, it is very likely that small businesses will bear the brunt of the liability burden that comes with COVID-related lawsuits. This is why Congress must pass timely, targeted, and temporary protections for those working to follow public health guidelines.

—Harold Kim, President, U.S. Chamber Institute for Legal Reform

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