



Small Business Fact Sheet

Updated May 21, 2013

Importance of Small Business to the Economy:

- A small business is generally described as an independent company having fewer than 500 employees. ([Small Business Administration](#)). For the small business definition by industry used in government programs and contracting, see www.sba.gov/content/small-business-size-standards. There are an estimated 27 million small businesses in the United States. ([Census Bureau](#))
- America's small businesses are the engines of job creation. Small businesses employ about half of all private sector employees and create more than half of the nonfarm private gross domestic product. ([Small Business Administration](#))
- Generally, 60 to 80 percent of all new jobs come from small businesses. This number fluctuates year-by-year when some small companies grow enough to become classified as large firms, and when new businesses are created. For example, from 1999 to 2000, small businesses accounted for 75 percent of all new jobs created. Small businesses have generated 65 percent of net new jobs over the past 17 years. ([Small Business Administration](#))
- The so-called "gazelle" firms (ages three to five years) comprise less than one percent of all companies, yet generate roughly 10 percent of new jobs in any given year. The "average" firm in the top one percent of all companies contributes 88 jobs per year, and most end up with between 20 and 249 employees. ([Kauffman Foundation](#))
- Small businesses are innovators. They produce 16.5 times more patents per employee than large firms. ([Small Business Administration](#))
- From 1992 through 2010, small businesses outperformed large firms in net job creation 75% of the time, according to the latest [the SBA Office of Advocacy's Small Business Economy 2011 report](#) (released March 21, 2012).
- The U.S. ranks 13th in [ease of starting a business](#) in the world according to a World Bank report. In 2007, the U.S. ranked 3rd.

Small Business Sentiment

- The April 2013 Chamber of Commerce quarterly [Small Business Outlook Survey](#) found the vast majority of small businesses (79%) think our country is on the wrong track, and 27% lost employees in the past year, while 87% of small businesses are looking for more certainty, instead of more assistance from Washington. Also, 78% viewed the national debt and deficits as a threat to their success, and 79% favor comprehensive tax reform.
- The April 2013 [BNA Economic Outlook Survey](#) found that only 15% of small businesses intended to add full-time employees during the next six months, down from spring 2012 (28%), while 8% planned to reduce full-time staff.
- The 2013 surveys of small business owners by the National Federation of Independent Business have been a roller coast so far this year, up one month, down the next. The NFIB [monthly optimism index](#) improved to 92.1, still barely above the recovery average of 90.7. Only four percent of businesses think this is a good time to expand their businesses. NFIB's Chief Economist still calls the report lackluster and describes small business owners as pessimistic. As many small firms plan to cut inventory as plan to increase it.
- According to the April 2013 Gallup/Wells Fargo [Small Business Index](#), the outlooks of small business owners are improving slightly. However, Gallup also reports flat consumer spending in April, and more workers still predict job losses than before the 2008 economic dip.
- In order to address America's high unemployment, Washington must provide more certainty and relief for small businesses that are continually burdened by threats of tax increases, the inconsistent flow of credit, unstable energy costs, unnecessarily burdensome federal regulations (including requirements from the health care law), and the dark cloud of an outrageous national debt over the economy.

High Energy Prices Harm Small Business Job Creation

- Gas prices rose sharply by 11.19 cents on May 17, according to a Reuters-published [Lundberg survey](#) of 2,500 gas stations tracking increasing prices over a two-week span before the peak driving season begins Memorial Day weekend. In cities, gas rose 62 cents to \$4.27 a gallon.
- A year ago, the Small Business & Entrepreneurship Council's [survey showed that 72 percent](#) of small businesses were concerned with the prices at that time – now reaching similar prices this season.
- The median commercial sector industry has a small business energy cost per sales ratio that is 2.7 times greater than that of larger businesses, which hinders their ability to compete during times of elevated energy prices. ([SBA Office of Advocacy](#))
- Half of U.S. adults consider gas prices to be “too high” when it reaches \$3.44 per gallon, according to a [new consumer index](#) developed by AAA. Forty-six percent of adults believe gas is too high when it reaches \$3.00 per gallon; 61 percent believe it is too high when it reaches \$3.50 per gallon; and 90 percent believe gas is too high when it reaches \$4.00 per gallon.

Regulatory Impediments Strangle Small Business Job Creation

- Small firms bear a regulatory cost of \$10,585 per employee, which is 36% higher than the cost of regulatory compliance for large businesses. ([2010 SBA study, The Impact of Regulatory Costs on Small Firms](#))

- Compliance with environmental regulations costs small businesses four times more than large firms. ([2010 SBA study, The Impact of Regulatory Costs on Small Firms](#))

Tax Increases Harm Small Business Job Growth

- The [SBA reports](#) that the average tax compliance cost per employee for small businesses is almost three times the per employee cost for the average large firm.
- Ninety-five percent of businesses are organized as pass-through entities— those that pay their taxes on their individual tax returns, rather than on a corporate return. Together, pass-throughs such as LLC's, partnerships, S Corporations and sole proprietorships, account for 54 percent of all business net income and they employ 54 percent of the private sector workforce. ([Ernst & Young, April 2011](#))
- According to an [NFIB's National Small Business Poll](#), about 75 percent of small businesses are structured as pass-through entities (S corporations, limited liability companies, sole proprietorships or partnerships) that must pay tax on their business income at the individual rate. Most small businesses do not pay the corporate tax.