



### National Small Business Week:

- The week of May 12-16th will mark the 51st annual National Small Business Week, a nationally recognized time to celebrate the contributions of small businesses to the economic well-being of America. Every year since 1963, the President of the United States has issued a proclamation announcing National Small Business Week, which recognizes the critical role of America's entrepreneurs and small business owners.
- This week is a great opportunity to reach out to small businesses in your district to hear their concerns and celebrate their achievements as innovators and job creators. There are a variety of ways to conduct this outreach: small business expos, roundtables, a tour of Main Street businesses, town halls, op-eds, or 499 letters, to name a few.

### 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](http://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% 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. Small businesses have generated 65% 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 1% of all companies, yet generate roughly 10% of new jobs in any given year. The "average" firm in the top 1% of all companies creates 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).

- Starting a company has become more difficult in the United States. In 2013, America ranked 20<sup>th</sup> in [ease of starting a business](#) in the world according to a World Bank report. In 2008, [the U.S. ranked 4<sup>th</sup>](#).

### Small Business Sentiment

- The 2014 surveys of small business owners by the National Federation of Independent Business (NFIB) have been a roller coaster, up one month, down the next. The NFIB latest [monthly optimism index](#) improved to 93.4, still barely above the recovery average of 90.7. What is most troubling is small business “plans to create and fill jobs” fell 2 points from the previous month. Taxes and government regulation continue to be the top two problems for them.
- The latest [Quarterly Wells Fargo/Gallup Small Business Index](#) (February 2014) shows that small-business owners' optimism has increased slightly but the broad economic environment in which they must operate, including government regulations and health care policies, remain a significant challenge. Attracting more customers and business is the primary concern, followed by the economy and health care/ObamaCare, which are tied for second.
- According to the [April 2014 Intuit Small Business Employment Index](#), small businesses increased employment slightly after three successive months with little to no small business employment growth. The Index also shows that the hiring rate remains low, and has barely budged from the low rate in April of 2009.
- 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, inconsistent flow of credit, unstable energy costs, unnecessarily burdensome federal regulations (including requirements from the health care law), and the dark cloud of massive national debt.

### ObamaCare Is Harming Small Business Job Creation and Increasing Health Costs

- A recent [Office of the Chief Actuary at the Centers for Medicare and Medicaid Services’ \(CMS\) report](#) (February 2014) confirmed that premiums will increase for two-thirds of Americans, or 11 million small business employees, as a result of ObamaCare.
- The nonpartisan [Congressional Budget Office reported](#) in February that ObamaCare will cost the nation the equivalent of 2.5 million workers in the next decade, and that the law’s negative effects on employment would be “substantially larger” than it had anticipated.
- A recent [National Small Business Association health care survey](#) (February 2014) shows an overwhelming majority of small companies have suffered health insurance cost increases. For example, 91% reported increases in their health premiums at their most recent health insurance renewal with one in four being hit with increases exceeding 20%.
- The [NFIB says ObamaCare’s tax on health insurance providers](#) will have a greater effect on private sector job loss than projected. The added burden of the health insurance tax on businesses will mean 152,000-286,000 private sector jobs will be eliminated by 2023, of which 57% would be from small businesses.

## 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 cost small businesses four times more than large firms. ([2010 SBA study, The Impact of Regulatory Costs on Small Firms](#))
- As of May 2013, there were 3,305 federal regulations in the pipeline. Agencies expect nearly 1/3 of them will directly affect small businesses. ([NFIB, Small Businesses for Sensible Regulations](#))
- In 2013 alone, agencies published regulations imposing a total of \$112 billion in regulatory costs and 157 million hours of paperwork. ([American Action Forum](#))
- The Obama administration is very likely generating the most regulations in history, issuing 157 new major rules at a cost to Americans approaching \$73 billion annually. ([Heritage Foundation: Red tape rising: Five years of regulatory expansion](#))
- From 2009 to 2013, federal agencies finalized rules that impose a total of \$494 billion in regulatory costs. ([American Action Forum](#))

## Tax Complexity and Increases Harm Small Business Job Growth

- According to the Internal Revenue Service's [National Taxpayer Advocate](#), tax issues are a significant set of regulatory burdens for most small businesses.
- One recent [National Federation of Independent Business Research Foundation study](#) of small business problems and priorities found that four of the top ten problems small businesses identified were tax related.
- 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, and small businesses spend more than 5.5 billion hours fulfilling their income tax obligations.
- A recent [National Small Business Association tax survey](#) (April 2014) shows that a majority of small businesses spend 40 hours preparing to file their taxes, while 40% spend a costly two full workweeks on the process. These small businesses say tax complexity and compliance are factors in their day-to-day operation all year long.
- According to the [SBA Office of Advocacy](#), small firms pay 67% more to comply with the tax code than large firms do, with tax complexity a contributing factor.
- Businesses organized as pass-through entities, which are those that pay business taxes on their individual tax returns rather than on a corporate return (such as LLCs, partnerships, S corporations and sole proprietorships), accounted for 54% of all business net income between 2004 and 2008 and employed 54% of the private sector workforce in 2008. ([Ernst & Young, April 2011](#))
- According to an [NFIB National Small Business Poll](#), about 75% of small businesses are structured as pass-through entities.

## High Energy Prices Reduce Small Business Job Creation

- In a [SBA Office of Advocacy study](#), small businesses have higher energy expenditures per dollar of sales than larger entities in 26 of the 31 commercial sector industries studied. 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.
- 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. It shows that 46% of adults believe gas is too high when it reaches \$3.00 per gallon; 61% believe it is too high when it reaches \$3.50 per gallon; and 90% believe gas is too high when it reaches \$4.00 per gallon.
- According to a May [Lundberg Survey](#), the average price of a gallon of regular gasoline in the U.S. rose 3 cents, to \$3.72, during the weeks between April 21 and May 2, marking the 12th straight week of price hikes at the pump.

***Please contact the House Small Business Committee Republican Staff with any questions: 202-225-5821***