

Homebased Sole Proprietors Generate \$102 Billion in Annual Revenue

America's homebased sole proprietors generate \$102 billion in annual revenue, according to a study released on May 31 by the Office of Advocacy. The study compares revenues, expenses, income, and industry distribution for sole proprietors who are based in the home versus non-homebased.

The study was released at the annual meeting of the American Association of Microbusinesses in Minneapolis, Minnesota. Region V Advocate Ray Marchiori presented the report. "Sole proprietorships are a vital part of our economy," Marchiori said. "Many are homebased microbusinesses; collectively they generate a significant amount of economic activity. For the average sole proprietor, their business provides benefits of entrepreneur-

ship that go beyond just income and revenue."

Written by Joanne H. Pratt with funding from the Office of Advocacy, *The Impact of Location on Net Income: A Comparison of Homebased and Non-Homebased Sole Proprietors* examines federal income tax data from sole proprietorship returns for the year 2002.

The report compares homebased and non-homebased sole proprietorships. For example, it finds that the average homebased sole proprietor earned \$22,569 in net income while its non-homebased counterpart earned \$38,243. Due to lower expenses, particularly in rent and labor costs, the average homebased sole proprietor consistently gained a higher return on gross revenues

Continued on page 2



Chief Counsel for Advocacy Thomas M. Sullivan samples the end product of the Original Philadelphia Cooked Steak Company during a visit to Region III. Andreas Kalisperis, the company's director of business development, discusses the manufacturing process of preparing steak, cooking, and flash freezing it for retail sale. For more regional news, [turn to page 4](#).

In This Issue

New Homebased Business Research 1

Chief Counsel Participates in Entrepreneurship Panel 7

New Special Assistant 7

Message from the Chief Counsel

Small Businesses Visit D.C. to Get Message Across. 3

Economic News

First Quarter 2006: The Economy and Small Business . 5

New Firm Turnover and Job Creation Data 8

Regional Roundup

Tennessee Governor Signs Executive Order 4

Region VII Advocate Appears Before RegFair Board 4

Region V Advocate Speaks to SCORE District Meeting 4

Regulatory News

Letter to IRS on Exchanges of Like-Kind Property 2

Impact of Patent Application Reform on Small Business . . . 2

Regulatory News

Advocacy Files Letter with IRS on Funds Used During Exchanges of Like-Kind Property

On May 8, the Office of Advocacy sent a comment letter to the Department of the Treasury and the Internal Revenue Service in response to their notice of proposed rulemaking titled “Escrow Accounts, Trusts and Other Funds Used During Exchanges of Like-Kind Property” (71 *Fed. Reg.* 6231 February 7, 2006). The proposed rule contained an incomplete initial regulatory flexibility analysis (IRFA), which requested economic impact analysis and less burdensome alternatives instead of provid-

ing this information for the regulated industry to respond. Advocacy explained the importance of a complete IRFA and encouraged Treasury and IRS to publish an amended IRFA in the *Federal Register* for public comment.

Advocacy’s letter to Treasury and IRS can be accessed at www.sba.gov/advo/laws/comments. For more information contact Assistant Chief Counsel Candace B. Ewell by phone at (202) 401-9787 or by email at candace.ewell@sba.gov.

Advocacy Requests that PTO Consider Impact of Patent Application Reform on Small Business

On April 27, the Office of Advocacy filed a letter with the U.S. Patent and Trademark Office (PTO) to address small business concerns regarding two proposals to reform the PTO’s patent application process. Advocacy believes that the proposed rules would have a significant impact on small entities and asked the PTO to analyze the impact.

The proposed regulations would limit to ten the number of representative claims contained in an initial examination of a patent application, as well as restrict an applicant to one continuation application as part of the process. Current rules of practice neither limit the number of claims that are reviewed on initial examination nor the number of permissible continuation applications. The PTO certified under the Regulatory Flexibility Act (RFA) that the changes would not have a significant economic impact on a substantial number of small entities.

Advocacy believes that the proposals are likely to have a significant economic impact on a substantial number of small businesses. The RFA requires federal agencies to determine a rule’s economic impact on small entities and consider significant regulatory alternatives that achieve the agency’s objectives while minimizing the impact on small entities. Advocacy requested that the PTO complete an initial regulatory flexibility analysis (IRFA) prior to publication of the final rule. The IRFA would allow the agency to examine the impacts of the proposed rule changes on affected small entities more closely and consider viable alternatives.

Advocacy’s letter may be accessed at www.sba.gov/advo/laws/comments. For more information contact Assistant Chief Counsel Carrol Barnes at (202) 205-6533.

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Homebased Sole Proprietors, from page 1

at 36 percent, versus 21 percent for the non-homebased.

The report also finds that the share of homebased sole proprietorships was greatest in three sectors:

- administrative, support, and waste management;
- information; and
- construction.

Non-homebased businesses had their largest shares in these sectors:

- accommodation and food services;
- all other services; and
- finance and insurance.

For a complete copy of the report, visit the Office of Advocacy website at www.sba.gov/advo.

Message from the Chief Counsel

Spring is the Season for Advocacy—Small Businesses Visit Washington To Make Their Message Heard

by Thomas M. Sullivan, Chief Counsel for Advocacy

One of the real pleasures of my job—and one of the most important—is making sure that the issues that the Office of Advocacy works on are really the priorities of America’s small business community. This mission gives me the chance to talk with small businesses and their representatives throughout the country and it is important because the whole reason the Office of Advocacy exists is to help make sure that small business concerns are heard in the governmental regulatory process.

Fortunately, I have a lot of good helpmates in making sure that Advocacy stays on track. In the past month alone, Women Impacting Public Policy (WIPP) held their Spring Leadership Conference; the U.S. Chamber of Commerce held its Access2006 small business summit; the National Small Business Association (NSBA) held its annual Washington Presentation; and as I write this, the National Federation of Independent Business (NFIB) is about to hold its 2006 National Small Business Summit. Each of these meetings has brought hundreds of articulate, active, and concerned small business owners to Washington, D.C., to tell their story about what needs to be done to make sure small businesses can continue to thrive as our nation’s job creators and community builders.

Of course, hundreds of other associations representing small businesses also hold periodic meetings in Washington and elsewhere to help make sure that small business concerns are heard. Like WIPP, the Chamber, NSBA, and NFIB, these associations often have full-time representatives in

Washington whose job is to see that small business viewpoints are not overlooked.

“You are in a competition with other groups . . . who are trying to get their voice heard, too. And if you don’t take the time to come to Washington and speak out, it is their voice that will be heard and not yours.”

I feel lucky that these groups see the Office of Advocacy as an ally to impact policies that affect small business. What constantly amazes me is that so many of you are willing to take time away from your businesses and undertake the expense of a trip to Washington to ensure that your needs are being addressed. I can tell you from firsthand experience that this makes a difference. Members of Congress will go out of their way and change their entire schedule to make sure that they have time to talk to people from back home—and they will listen.

During one of the meetings this past month, a senator from a Western state not only thanked the small business owners for being there but went on to say: “You know, you are in a competition with other groups like unions, environmental activists, and others who are trying to get their voice heard, too. And if you don’t take the time to come to Washington and speak out, it is their voice that will be heard and not yours.”

Small business owners are used to competition. You do it every day to stay in business. But if you don’t compete in the world of policy, you are going to find a whole lot of other people making decisions for you.

I am glad to have small business owners keep me on track, and I couldn’t do my job without your help. Please keep participating in the process of educating government about what it means to run a small business. We need to get that message across, and we need to convey that we really are speaking for small business when we are struggling to try to make sure that government policy makes sense for the most vibrant and important part of our economy!

Regional Roundup

Tennessee Governor Signs Executive Order for Small Business

On May 22, Tennessee Governor Phil Bredesen signed Executive Order (E.O.) 38 to help Tennessee's small businesses. Recognizing the importance of small business to Tennessee's economy, E.O. 38 requires agencies to prepare a small business economic impact statement. The E.O. also requires agencies to examine whether there is an alternative regulatory solution to the proposed rule that would be less burdensome on small business while still accomplishing the agency goal.

E.O. 38 requires agencies to take reasonable steps to give notice to small businesses of its economic impact analysis of proposed rules. This is important because small business owners are the greatest resource that agencies can use to understand how regulations will affect small entities and what alternatives may be less burdensome.

The goal of regulatory flexibility for small business is to foster a climate where small businesses can create jobs, offer innovative

products and services, bring more Americans into the economic mainstream, and broaden the tax base. Regulatory flexibility helps reduce excessive regulation and strengthen the economy without sacrificing important goals such as environmental protection, travel safety, better workplace conditions, and increased family financial security. For information on current state regulatory flexibility legislative activity visit www.sba.gov/advo/laws/law_mod-eleg.html#new.

Region V Advocate Speaks to SCORE Illinois District Meeting

Region V Advocate Ray Marchiori spoke at the Spring 2006 Service Corps of Retired Executives (SCORE) District Meeting in Bloomington, Illinois on May 2. Marchiori was delighted to address this group of volunteers who generously share their time and experience with small business owners. SCORE volunteers are working or

retired business owners, executives, and corporate leaders who provide advice and training to help small business owners increase their chances of success.

A critical issue discussed during the roundtable and breakout session was identifying ways that SCORE can recruit new counselors and bolster the ranks of the organiza-

tion. SCORE also wants to ensure that their volunteers represent the variety of industry sectors that seek counseling. If you or someone you know is interested in volunteering for this important organization, please go to www.score.org/volunteer.html or call SCORE at (800) 634-0245 for more information and an application.

Region VII Advocate Appears Before Regulatory Fairness Board

On May 1, the Missouri Small Business Regulatory Fairness Board had its first hearing. The purpose of the meeting was to provide a forum for small business owners to voice concerns about proposed state rules that would adversely affect their businesses, existing state regula-

tions that negatively affect business, and excessive enforcement of state regulations. Region VII Advocate Wendell Bailey attended the meeting along with several small business owners, agency representatives, and legislative staff. "This was a very important first

meeting of the Board. By listening to small businesses discuss the regulatory burdens they face, agencies will be able to craft better regulations," Bailey said. More information on the RegFair Board and its upcoming meetings can be found at www.sbrfb.ded.mo.gov.

Regional Advocates Reach Out

Are you looking for a speaker for your next trade association or chamber event? Advocacy's regional advocates are happy to bring your members up to date on new small business research and data, regulatory issues of importance to your industry, and the latest news about regulatory flexibility in your state. They are also eager to hear your members' concerns about policy decisions being made in the nation's capital and to bring your views to Washington, D.C. Please visit our website at www.sba.gov/advo/region.html for your regional advocate's contact information or feel free to contact Viktoria Ziebarth, director of regional affairs, at viktoria.ziebarth@sba.gov or (202) 205-6565.

FIRST QUARTER 2006: THE ECONOMY AND SMALL BUSINESS

Trends

- The U.S. economy began 2006 with a strong showing: real gross domestic product (GDP) rose at an annual rate of 4.8 percent, up from 1.7 percent in the fourth quarter of 2005. The strong increase reflected healthy growth in the annual rates of real personal consumption expenditures (5.5 percent) and real gross private fixed investment (6.5 percent). A large increase in real exports (12.1 percent annual growth) was outpaced by the expansion of real imports (13.0 percent annual growth). In addition, both industrial production and proprietors' income continued to rise.
- Consumers and business owners became slightly more pessimistic as the first quarter of 2006 ended. This was evident in the University of Michigan's Consumer Confidence Survey, which fell to 88.9 in March 2006 from 91.5 in December 2005, as well as in the National Federation of Independent Business's Optimism Index, which fell to a three-year low of 98.0 in March. Small businesses surveyed for the index expressed less willingness to hire in the coming months. The optimism index had been higher in January and February (101.1 and 101.5, respectively), so future surveys will show whether the March reading was an aberration.
- The unemployment rate in March 2006 was 4.7 percent, the same as in January 2006 and the lowest rate since July 2001. An additional nonfarm payroll jobs were added, and all major industries except for manufacturing saw net employment increases in the first quarter. Industries with the largest shares of small business employment—construction, other services, wholesale trade, and leisure and hospitality—added 241,500 net new jobs during the quarter. There were also increases in self-employment, with 5.5 million incorporated and 10.6 million unincorporated self-employed in March 2006.
- Interest rates continued to rise, with the prime rate averaging 7.4 percent in the first quarter of 2006, up 2 percentage points from the first quarter of 2005. Other interest rates are similar. According to the Senior Loan Officers' Survey, these rate increases have had an impact on the demand for loans to small businesses; bank executives note that the strong demand for such loans has softened from the previous quarter. Venture capital investment remains steady: 761 deals valued at \$5.6 billion were finalized in the first three months of 2006.
- Core consumer inflation, which excludes energy costs, increased an annual 2.6 percent during the quarter. With energy costs, the consumer price index rose an annual 4.3 percent. The price of West Texas crude averaged \$62.90 in March 2006. This is more than in December 2005 (\$59.43) but slightly less than the January 2006 price (\$65.51), reflecting a volatile energy market.

Small Business Indicators

	Last five years					Last five quarters				
	2001	2002	2003	2004	2005	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06
Business bankruptcy filings (thousands)	40.1	38.5	35.0	34.3	--	8.1	8.7	9.5	12.8	--
Proprietors' income (billions of current dollars)	771.9	768.4	810.2	889.7	938.7	917.9	936.6	932.4	967.7	977.9
Prime bank loan rate	6.9	4.7	4.1	4.3	6.2	5.4	5.9	6.4	7.0	7.4
Rates for smallest loans (less than \$100,000):										
Variable rate loans, repricing terms of 2-30 days	7.4	5.1	4.4	4.4	6.0	5.3	5.7	6.1	6.7	7.2
Variable rate loans, repricing terms of 31-365 days	8.7	6.6	6.4	6.2	7.1	6.6	7.1	7.1	7.7	8.3
Senior loan officers (percent of respondents):										
Net small firm C&I lending standards (those whose standards were eased minus those tightened)	-39.4	-20.0	-7.1	13.1	9.0	9.1	22.7	0	4.2	4.8
Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)	-36.6	-40.0	-14.7	25.9	27.3	13.7	45.5	33.4	16.7	5.3
Venture investment: number of deals	4451	3054	2877	2991	3039	710	792	756	781	761
Venture investment: total invested (billions of dollars)	40.5	21.7	19.6	21.8	22.4	5.0	6.2	5.5	5.7	5.6

Note: The first quarter figure for the Senior Loan Officers Survey is for January, which measures from October. C&I loans refers to commercial and industrial loans. Sources: Administrative Office of the U.S. Courts; Board of Governors of the Federal Reserve System; National Venture Capital Association; U.S. Department of Commerce, Bureau of Economic Analysis.

	Last five years					Last five months (2005-2006)				
	2001	2002	2003	2004	2005	Nov	Dec	Jan	Feb	Mar
NFIB Small Business Optimism Index (1986 = 100)	98.4	101.2	101.3	104.6	101.6	101.2	101.4	101.1	101.5	98.0
NFIB: next 3 months "good time to expand" (percent of respondents)	12.3	14.3	15.7	22.3	20.6	20	21	20	20	19
NFIB: net percent planning to hire in the next 3 months	11.6	10.8	10.2	15.3	14.4	13	15	17	16	9
Self-employed, incorporated (millions)	4.5	4.6	5.0	5.2	5.3	5.3	5.4	5.5	5.5	5.5
Self-employed, unincorporated (millions)	10.1	9.9	10.3	10.4	10.5	10.2	10.3	10.4	10.6	10.6

Sources: National Federation of Independent Business; Current Population Survey, U.S. Bureau of Labor Statistics.

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For previous quarterly indicators, visit www.sba.gov/advo/research/sbei.html. Note that historical data are revised periodically, and this version reflects such changes.

Employment by Major Sector (millions)

	Percent small business	Last five years					Last five months (2005-2006)				
		2001	2002	2003	2004	2005	Nov	Dec	Jan	Feb	Mar
Goods-producing industries	56.35	23.87	22.55	21.81	21.88	22.14	22.26	22.28	22.34	22.37	22.39
Natural resources and mining	50.71	0.61	0.58	0.57	0.59	0.62	0.64	0.64	0.65	0.65	0.66
Construction	85.99	6.83	6.71	6.73	6.97	7.28	7.41	7.42	7.46	7.49	7.50
Manufacturing	43.18	16.44	15.26	14.51	14.31	14.23	14.21	14.22	14.23	14.23	14.23
Service-producing industries	49.52	107.96	107.79	108.18	109.54	111.32	111.97	112.09	112.20	112.36	112.54
Trade, transportation and utilities	45.98	25.99	25.50	25.29	25.53	25.91	26.01	26.02	26.04	26.05	26.08
Wholesale trade	62.08	5.77	5.65	5.61	5.66	5.75	5.78	5.78	5.80	5.81	5.82
Retail trade	43.08	15.24	15.02	14.92	15.06	15.25	15.29	15.30	15.30	15.29	15.31
Information	25.60	3.63	3.39	3.19	3.12	3.07	3.06	3.07	3.07	3.07	3.07
Financial activities	40.91	7.81	7.85	7.98	8.03	8.14	8.22	8.22	8.24	8.27	8.29
Professional and business services	44.63	16.48	15.98	15.98	16.39	16.88	17.06	17.12	17.13	17.16	17.21
Education and health services	48.03	15.65	16.20	16.59	16.95	17.34	17.48	17.51	17.54	17.59	17.62
Leisure and hospitality	61.81	12.03	11.99	12.18	12.49	12.80	12.88	12.90	12.93	12.96	12.99
Other services	86.38	5.26	5.37	5.40	5.41	5.39	5.38	5.39	5.40	5.40	5.40
Government	0	21.12	21.51	21.58	21.62	21.81	21.88	21.88	21.84	21.88	21.90

Notes: Seasonally adjusted. See <http://www.bls.gov/ces/cessuper.htm> for NAICS code equivalents for each sector. The small business percentage by sector is based on 2003 firm size data. See http://www.sba.gov/advo/research/us_03_n6.pdf. Due to data suppression, the number of small utility firms is estimated using 2002 data. Sources: U.S. Small Business Administration, Office of Advocacy, using data from the U.S. Department of Commerce, Bureau of the Census; U.S. Department of Labor, Bureau of Labor Statistics.

Macroeconomic Indicators

	Last five years					Last five quarters				
	2001	2002	2003	2004	2005	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06
Annual change, real gross domestic product (percent)	0.8	1.6	2.7	4.2	3.5	3.8	3.3	4.1	1.7	4.8
Real personal consumption expenditures (billions)*	6910.4	7099.3	7306.5	7588.6	7856.9	7764.9	7829.5	7907.9	7925.4	8032.0
Real gross private fixed investment (billions)*	1629.4	1548.9	1627.4	1794.4	1919.8	1902.9	1885.0	1909.4	1981.9	2013.4
Federal government surplus or deficit (billions)	46.7	-247.9	-382.8	-406.5	-323.0	-298.3	-297.3	-407.9	-288.6	--
Real exports of goods and services (billions)*	1036.7	1013.3	1031.2	1117.9	1195.3	1165.3	1195.4	1202.7	1217.6	1252.8
Real imports of goods and services (billions)*	1435.8	1484.6	1552.6	1719.2	1828.3	1810.7	1809.6	1820.2	1872.9	1931.0
Corporate profits after tax (billions)	563.2	693.7	799.7	890.3	973.8	925.6	975.0	932.8	1061.8	--
Nonfarm business sector output per hour for all persons (1992 = 100)	118.5	123.3	128.0	132.3	135.9	134.7	135.5	136.9	136.8	137.9
Employment Cost Index: private sector wages and salaries (2005 = 100)	88.8	91.6	94.2	96.8	99.2	98.3	98.8	99.4	100.1	100.8
Employment Cost Index: private sector benefits (2005 = 100)	80.1	83.7	88.8	94.8	99.2	98.0	98.8	99.6	100.4	100.8

*Chained 2000 dollars.

Notes: Seasonally adjusted. The employment cost index data reflects a switch to a new base of December 2005 = 100.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Labor, Bureau of Labor Statistics.

	Last five years					Last five months (2005-2006)				
	2001	2002	2003	2004	2005	Nov	Dec	Jan	Feb	Mar
Unemployment rate (seasonally adjusted)	4.8	5.8	6.0	5.5	5.1	5.0	4.9	4.7	4.8	4.7
Civilian employment—16 years and older (millions, seasonally adjusted)	136.9	136.5	137.7	139.2	141.7	142.6	142.8	143.1	143.3	143.6
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	1.8	2.9	3.4	3.1	2.6	2.5	2.4	2.2	2.5	2.3
Nonfarm payrolls (millions, seasonally adjusted)	131.8	130.3	129.9	131.4	133.5	134.2	134.4	134.5	134.7	134.9
Producer Price Index (1982 = 100)	134.2	131.1	138.1	146.7	157.4	163.7	163.0	164.6	161.9	162.0
Consumer Price Index (seasonally adjusted, 1982 = 100)	177.0	179.9	184.0	188.9	195.3	197.8	197.7	199.0	199.1	199.8
Consumer Sentiment Survey (1966 = 100)	89.2	89.6	87.6	95.2	88.6	81.6	91.5	91.2	86.7	88.9
Spot oil price per barrel: West Texas intermediate crude	25.92	26.10	31.14	41.44	56.47	58.30	59.43	65.51	61.63	62.90
ISM Purchasing Managers Index—manufacturing composite (seasonally adjusted)	43.9	52.4	53.3	60.5	55.5	57.3	55.6	54.8	56.7	55.2
Industrial production (2002 = 100, seasonally adjusted)	99.9	100.0	100.6	104.7	108.1	109.4	110.4	110.0	110.6	111.2
M2 money stock (billions, seasonally adjusted)	5221.4	5614.1	6005.2	6277.8	6541.7	6647.6	6675.7	6737.9	6760.5	6777.2
3-month Treasury bills (secondary market rate)	3.39	1.60	1.01	1.37	3.15	3.88	3.89	4.24	4.43	4.51
10-year Treasury note (constant maturity rate)	5.02	4.61	4.02	4.27	4.29	4.54	4.47	4.42	4.57	4.72

Sources: Board of Governors of the Federal Reserve System; Dow Jones Energy Service; Institute for Supply Management; U.S. Department of Labor, Bureau of Labor Statistics; University of Michigan's Survey of Consumers.

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News Items

Advocacy's Chief Counsel Participates in Entrepreneurship Panel

On May 10, Washington, D.C.'s New America Foundation sponsored a conference to discuss the issues entrepreneurs face, how policymakers in Washington can address these issues at the national level, and what measures can be taken to boost entrepreneurship.

David Gray, director of New America's Workforce and Family Program, led two panels: Health Care, Taxes, Regulatory Policies, and the Workforce; and the Future of Entrepreneurship.

The first panel presented a variety of viewpoints on entrepreneurship and its current status. With Smarthinking.com as his latest venture, Christopher Gergen discussed his experiences of starting a new business. John Arensmeyer, president of Small Business Majority, focused on small businesses' political views and current proposals to improve health care insurance.

Diana Furchtgott-Roth, director of the Center for Employment

Policy at the Hudson Institute, used a number of graphs to illustrate the economy's growth and employment data, and she demonstrated how streamlining regulations would spur small business activity. She suggested simplifying health care for small businesses and maintaining a flexible environment for small businesses to operate in. Tami Gurley-Calvez, from the U.S. Government Accountability Office, presented insights from her study on the impact of taxes on small business and entrepreneurship.

Chief Counsel for Advocacy Thomas M. Sullivan participated in the second panel along with staff from the Senate Small Business Committee and officials from the U.S. Department of Commerce and the White House. Sullivan concentrated on smart regulation and the Regulatory Flexibility Act—how regulators consider the impact on small business when proposing a new rule or regulation. He also said

that the best way for policymakers to spur entrepreneurship is “to get out of their way.”

Jennifer Perkins, of the Senate Small Business Committee, stressed the importance of the voice of small business in Congress.

Jack McDougal, U.S. Department of Commerce's deputy assistant secretary for industry analysis, described the role and function of his office, which was recently established within the department's new Office of Manufacturing Services. Roy Ranthum, Special Assistant to the President for economic policy, concluded on the topic of health savings accounts.

New Special Assistant Comes Aboard

Ashley Fingarson joined the office's staff this month as special assistant to the chief counsel. Most recently, Fingarson served as a deputy communications director and legislative assistant on Capitol Hill. Her background also includes service on the Senate Finance Committee through Montana State University's Bracken Fellowship program, where she researched and analyzed data on tax-related issues and Social Security.

She is also a skilled communicator. She worked as a freelance journalist for the Institute for Humane Studies in Washington, D.C., and she did journalism internships for the *Valley Morning*

Star in Harlingen, Texas, and the Property and Environment Research Center in Bozeman, Montana.

Fingarson earned a bachelor of science in business marketing from Montana State University in Bozeman.



Special Assistant to the Chief Counsel Ashley Fingarson.

Economic News

SUSB Data Give Clear Picture of Firm Turnover and Job Creation by Small and Large Firms

Determining the number of small business births, closures, and jobs created is not a simple task. Comparing the number of small businesses and their employment from one year to the next fails to capture these moving targets. What does work is to follow individual firms throughout the year. Fortunately, this is possible using the U.S. Census Bureau Statistics of U.S. Businesses, or SUSB, which is partially funded by the Office of Advocacy. SUSB links data for firms from one year to the next and generates tables showing the results. The Census Bureau recently released SUSB data showing employment size by firm category for 2002 to 2003; and data going back to 1989 is available at www.sba.gov/advo/research/data.html.

Firm Turnover. SUSB data for 2002 to 2003 show 612,296 employer firm births and 540,658 employer firm closures. Almost all of this firm movement was in small firms (fewer than 500 employees), as very few firms grow into large firms. These figures indicate that a little over 10 percent of the firms in 2003 were new, and about 10 percent of the firms closed during the year. In addition, 121,929 new establishments (or business locations) were opened by existing firms, and 125,401 secondary establishments were closed.

Job Creation. A total of 995,659 net new jobs were created during the year. Firms with fewer than 20 employees created 1.6 million net new jobs; firms with 20-499 employees created 400,000

net new jobs; while firms with more than 500 employees shed 1 million net jobs.

State-level job creation data are also available. All states and the District of Columbia had positive net job increases for firms with fewer than 500 employees, and eight states had positive net job increases for firms with 500 or more employees. Only two states, Washington and Nebraska, had greater net job gains among large businesses than among small businesses. These data clearly illustrate small businesses' importance as job creators.

For more data detail, see the dynamic data sections at www.sba.gov/advo/research/data.html.

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