

# SMALL BUSINESS RESEARCH BULLETIN

## Dynamics of Women-Operated Sole Proprietorships, 1990-1998

### Background

Women-owned businesses play an important role in the U.S. economy, as well as in the personal lives of the women owners and their families. Several data sets provide information about women-owned businesses to researchers and policymakers, but they are limited in their comparability, timeliness, and reliability. The only data source for annual information about a subset of women-owned businesses is the Internal Revenue Service (IRS) Statistics of Income (SOI) Division's tabulations of nonfarm women-operated sole proprietorships.

Technically, a sole proprietorship is an unincorporated business with a single owner—the most commonly used legal form of ownership for new and women- and minority-owned businesses. For tax purposes, the business's assets and liabilities belong directly to the business owner. The tax liability is determined by the business owner's individual tax rate—no separate tax schedule applies. Simplicity is the advantage of this legal form of organization.

Sole proprietorship data covering the 1990-1998 decade provide a look at the recent trends in women's share of this large segment of America's business sector.

### Highlights

Women are a significant and growing part of the sole proprietorship community. Most U.S. firms—72.6 percent—and an even larger share of those operated by women—84.8 percent—operate as sole proprietorships. These are the smallest of businesses that file tax returns—the average dollar value of sole proprietorship receipts was \$58,000 in 1997; for women, it was \$31,000.

The women-operated share is growing. Sole proprietorships operated by women in the United States increased dramatically from 1990 to 1998 in numbers, gross receipts, and net income. The number increased from 5.6 million in 1990 (33.5 percent of the total) to 7.1 million (36.8 percent) eight years later. Women's sole proprietorship receipts increased over the period from 15.2 percent of the total to 18.0 percent; their net income increased from 16.9 percent to 21.5 percent.

Most of women's sole proprietorships—87 percent—are quite small, with receipts less than \$50,000. But a significant share—13 percent—were in the larger-than-\$50,000 receipts size that accounted for two-thirds of women-operated sole proprietorships' receipts and about 55 percent of the net income. The largest women-operated sole proprietorships—the 2.7 percent with gross receipts of at least \$200,000—generated one-third of women-operated business receipts, and their number is growing.

On average, about two-thirds of women operators of sole proprietorships were married and filed their income tax returns jointly. This percentage declined over the period, from 66.6 percent in 1990 to 61.0 percent in 1998. On the other hand, the share of women sole proprietors filing as unmarried heads of households with dependents increased from 8.4 percent to 14.2 percent between 1990 and 1998. The other filing status categories remained about the same over the period: 23.1 percent on average were single and 1.6 percent were married filing separate returns.

About 53 percent of women-operated sole proprietorships were concentrated in 10 major business activities. The top two were sales door-to-door and child day care. Between 1990 and 1998, women sole

proprietors earned nearly 70 percent of their total net income in the services industries, 18 percent in finance, insurance and real estate, and a small fraction in other industries.

In a comparison among the 10 most populous states, the number of women-operated sole proprietorships grew most in North Carolina, Florida, and Ohio. Women-operated sole proprietorships in California earned the most per proprietorship, on average, in net income and gross receipts. In 1998, New York had the highest net income as a percentage of gross receipts.

## Advocacy Comments

“President Bush recognized the growing importance of women in the small business community when he announced his Small Business Plan at the Women’s Entrepreneurship Summit in March 2002. The Office of Advocacy is pleased to make available more information about this important segment of the small business community and we continue to explore new avenues of research on sole proprietorships operated by women.”

Thomas M. Sullivan  
Chief Counsel for Advocacy  
U.S. Small Business Administration

### For More Small Business Information

For the complete report, *Dynamics of Women-Operated Sole Proprietorships, 1990-1998*, visit the Office of Advocacy website at [www.sba.gov/advo](http://www.sba.gov/advo).

Sign up on Advocacy’s Listservs at <http://web.sba.gov/list> to receive email notices of new Office of Advocacy publications accessible from our website. These include *The Small Business Advocate* newsletter as well as Advocacy press, research, and regulatory communications.