FREQUENTLY ASKED QUESTIONS

FEBRUARY 2026

Office of Advocacy

1. What is a small business?

The Office of Advocacy generally defines a small business for research purposes as an independent business having fewer than 500 employees. For industry-level small business size standards used in government programs and contracting, see *https://www.sba.gov/document/support--table-size-standards*.

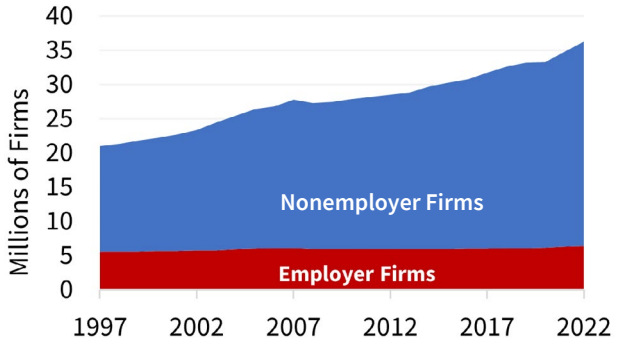
2. How many small businesses are there in the U.S.?

There are 36,207,130 small businesses in the U.S.

- 82.3 percent, or 29,811,495 firms, have no employees (termed "nonemployer firms") and 17.7 percent, or 6,395,635 firms, have paid employees (termed "employer firms").
- There are 21,041 large businesses.
- The number of small employer firms has increased each year since 2011. The number of nonemployer firms has nearly doubled, from 15.4 million in 1997 to 29.8 million in 2022 (Figure 1).

Source: SUSB, NES

Figure 1: Number of Small Businesses



Source: NES, SUSB

3. What role does small business play in the economy?

Small businesses comprise:

- 99.9% of all firms
- 99.7% of firms with paid employees
- 97.2% of exporters (270,014 businesses)
- 45.9% of private sector employees (62.3 million workers)
- 43.5% of gross domestic product
- 38.7% of private sector payroll ($3.5 trillion)
- 35.0% of private sector receipts ($17.8 trillion)
- 33.0 % of known export value ($588.4 billion)

Source: SUSB, NES, ITA, SBGDP, Advocacy US Profile

4. How are small businesses adopting artificial intelligence?

Between Sept. 2024 and Aug. 2025, 7.6 percent of businesses used artificial intelligence (A.I.). The most likely businesses to have used A.I. were those with more than 250 employees—11.4 percent—followed by those with fewer than five employees—8.2 percent. Businesses with more than 250 employees have outpaced those with fewer than five employees in A.I. adoption, but the gap has narrowed.

Source: BTOS, Advocacy AI Spotlight

5. How does federal paperwork affect small businesses?

Federal paperwork collections cost small businesses over $81 billion in 2025. Over 80% of the paperwork burden for small businesses comes from the Internal Revenue Service alone (Table 1). For every $1 in paperwork costs, small businesses generate $265 in revenue, while large businesses incur $1 in paperwork costs but achieve $572 in revenue.

Table 1. Federal Paperwork Burden on Small Firms by Agency

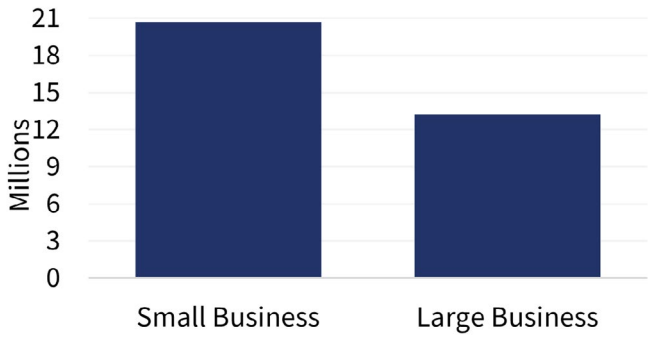
	Cost ($Millions)	Hours ($Millions)	Percent Small
Internal Revenue Service	$66,037	1,568	66.6
U.S. Securities Exchange Commission	$6,623	109	28.1
U.S. Department of War (formerly Defense)	$1,073	8	76.2
Federal Motor Carrier Safety Administration	$1,002	52.1	47.8

Source: SBA, Office of Advocacy authors' calculations.
Paperwork Reduction Act Current Inventory Report - Office of Information and Regulatory Affairs, accessed July 21st, 2025. See: *Paper Weight: The Federal Paperwork Burden on Small Businesses.*

6. What percent of net new jobs do small businesses create?

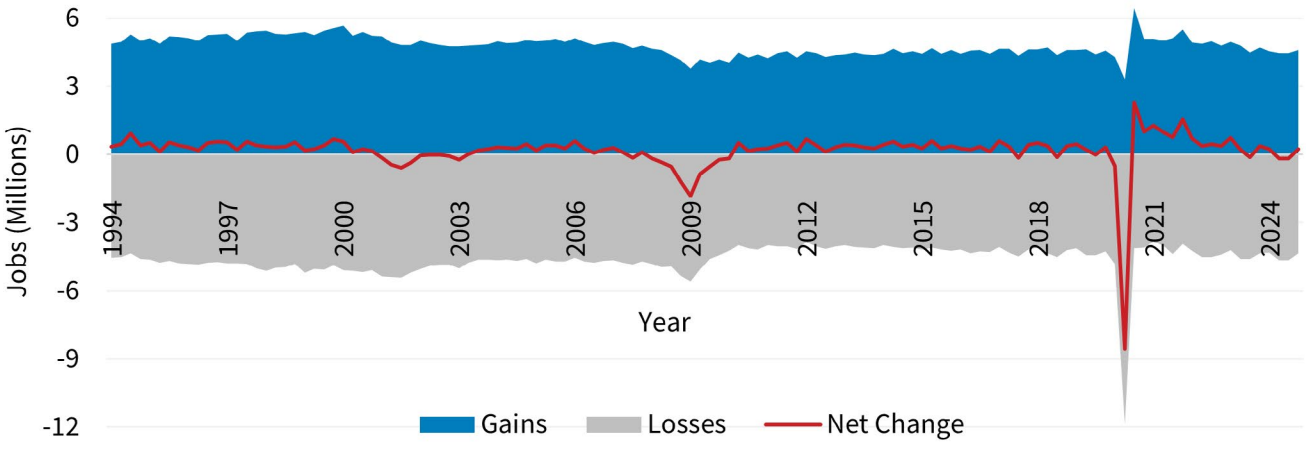
From January 1995 to December 2024, small businesses created 20.7 million net new jobs while large businesses created 13.2 million (Figure 2). Small businesses have accounted for 61 percent of net new job creation since 1995. Figure 3 displays quarterly small business job gains, losses, and net new jobs since 1994. These statistics were volatile in 2020, with a loss of over 15 million jobs between Q1 2020 and Q2 2020. 9.1 million of these were small business job losses. However, small business employment grew quickly after the COVID recession, recovering the lost jobs by Q3 of 2022 and adding 1.6 million additional jobs.[1]

Figure 2: Net New Jobs, 1995 – 2024



Source: BED

Figure 3: Quarterly Changes in Small Business Jobs, 1994-2024



Source: BED

7. How can small businesses generate over 60 percent of net new jobs, but their share of employment is less than 50%?

As small firms grow, their growth counts toward small firm job gains. That growth can lead to the business changing employment size classes. If they pass the 500-employee mark, their employment gains are classified as large firm employment.[1]

8. What is the cost of regulations on manufacturing firms?

The average U.S. company pays approximately $13,000 per employee yearly to comply with federal regulations. The average manufacturer in the United States pays more than double that amount, over $29,000 per employee per year. The burden is even greater for small U.S. manufacturers, or those with fewer than 50 employees, which incur the highest regulatory costs of all U.S. firms: an estimated $50,100 per employee per year.

Source: NAM

9. What is the new business survival rate?

From 1994-2022, an average of 67.7 percent of new employer establishments survived at least two years. During the same period, the five-year survival rate was 49.2 percent, the ten-year survival rate was 33.9 percent, and the fifteen-year survival rate was 25.5 percent. Survival rates by owner demographic showed slight differences. As firms establish themselves, their survival rates increase. While more than half of establishments close before five years, more than two thirds of businesses (69.5 percent) that reach five years reach ten. The survival rate increases further after then as well, with 76.1 percent of establishments that reach ten years also reaching fifteen.

Source: BED

10. How many business establishments open and close each year?

In 2023, 1.3 million business establishments opened for the first time, and about 1.2 million establishments closed permanently (Figure 4). Startups made up 14.2 percent of business establishments in 2023 compared to 12.5 percent in 2019 (Figure 5).

Source: BED

Figure 4: Establishment Births & Deaths, 2013-2023

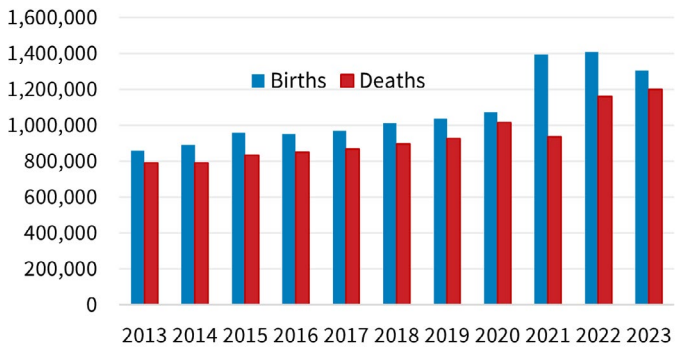
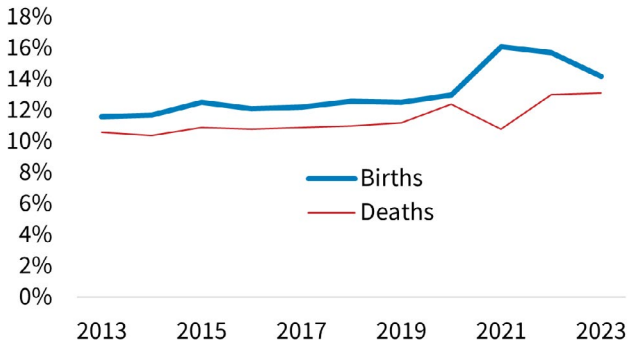


Figure 5: Percent Establishment Births & Deaths, 2013-2023



11. How many businesses do women and minorities own?

Women owned 14 million businesses in 2022, which represented 40.4 percent of all classifiable businesses. Women owned 12.7 million (43.8 percent) of nonemployer firms, putting them closer to parity with men (Table 2). Minority-owned businesses totaled 13 million, and minority-owned businesses with paid employees made up 23.5 percent of all businesses with employees. Table 2 places business owner representation in the context of demographic share.

Source: ABS, NES-D

[1] This FAQ employed a dynamic sizing method to classify and monitor the growth of small and large firms as they transition between size categories. Due to regression to the mean and other temporary factors, the percentage of net new jobs associated with small firms would be greater if firms were classified according to their original size.

12. How many businesses do veterans own?

Veterans owned 1.7 million, representing 4.8 percent of all businesses in 2022. Of these businesses, 273,523 were employer firms (Table 2). Both figures are roughly in line with the 4.9 percent of the U.S. population that identify as veterans. However, if businesses owned equally by veterans and partners are also included, veterans own 5.3 percent of all businesses and 6.6 percent of businesses with employees.

Source: ABS, NES-D

Table 2. Business Owner Demographics, 2022

	Firms (Millions)		Percent of Total Firms			
Demographic Ownership	Nonemployers	Employer	Total Population	Total	Nonemployer Firms	Employer
Gender	-	-	-	-	-	-
Female	12.72	1.31	50.8	40.4	43.8	23.2
Male	15.59	3.63	49.5	55.4	53.7	64.3
Equally Male and Female	0.73	0.71	-	4.1	2.5	12.5
Race & Ethnicity	-	-	-	-	-	-
White	21.86	4.77	75.1	76.8	75.3	84.4
Minority	11.71	1.33	42.1	37.6	40.3	23.5
Black	4.44	0.19	13.5	13.3	15.3	3.4
American Indian and Alaskan Native	0.36	0.05	1.2	1.2	1.2	0.8
Asian	2.79	0.65	6.6	9.9	9.6	11.5
Native Hawaiian and Other Pacific Islander	0.10	0.01	0.4	0.3	0.3	0.2
Hispanic	5.14	0.47	19.8	16.2	17.7	8.2
Other	-	-	-	-	-	-
Veteran	1.38	0.27	4.9	4.8	4.7	4.8
Nonveteran	27.56	5.28	95.1	94.7	94.9	93.4
Equally veteran and nonveteran	0.10	0.10	0	0.58	0.34	1.78

Source: ABS, CPS, NES-D

13. How many small businesses are there in rural areas?

There were 4.3 million small business establishments in rural areas, representing 96.5 percent of establishments outside of metropolitan areas in 2022. These businesses accounted for 56.6 percent of employment in rural areas. In metropolitan areas, small businesses accounted for 47.5 percent of employment.

Source: SBA, Advocacy Rural Profile

14. What percentage of firms are family-owned?

About one in four employer firms (26.1 percent) were family-owned in 2022. Family-owned firms employed 15 employees per firm, while non-family-owned firms employed 11 employees per firm. The industries with the highest share of family-owned firms were management of companies and enterprises (42 percent) and mining, quarrying, and oil and gas extraction (40 percent), while professional, scientific, and technical services (18 percent) and health care and social assistance (15 percent) were the lowest.

Source: ABS

15. How are most small businesses legally organized?

Most non-employers are sole proprietorships (86.7), while 12.3 percent of small employers are organized as sole proprietorships (Table 3). 55 percent of small employer firms were S corporations (Figure 6).

Source: SUSB, NES-D

Table 3. Legal Form of Organization, 2022

(Percent of respective firm sizes, SUSB & NES)

Type of business	Nonemployer	Small Employer	Large Employer
Sole Proprietorship	86.7	12.3	6.6
Partnership	7.3	12.1	26.0
S corporation	4.5	55.0	31.9
C corporation and other	1.5	13.9	53.8
Nonprofit	-	6.8	16.7
Government	-	0.02	2.5
Other	-	0.1	3.3

**Some firms often file under multiple legal forms of organization. As such, the "type of business" columns may not add up precisely to 100 percent.*

16. How are small businesses financed?

Financing for small businesses comes from various external (banks, credit unions, finance companies, nonfinancial firms) or internal (family and friends, personal savings) sources. Existing businesses often use retained earnings as a source of funding. Community banks remain a significant source of funding for small businesses. Full approval rates were higher at smaller banks compared to other lenders. See *Advocacy's Frequently Asked Questions About Small Business Finance*. Also, many small businesses access capital resources from the Small Business Administration.

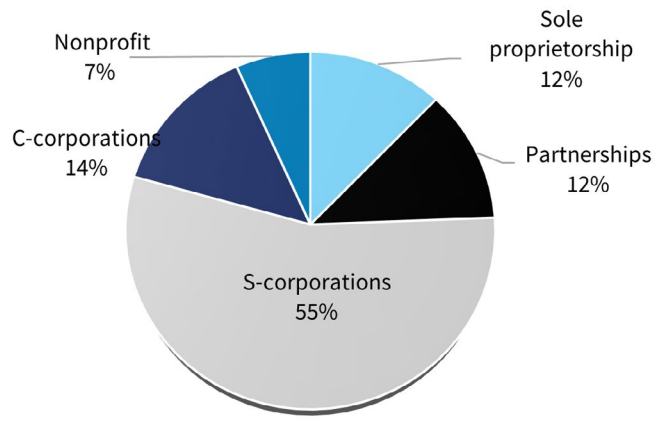
Source: SBA, Advocacy Finance FAQ

17. What is the current economic status of small businesses?

Small business indicators demonstrate cautious resilience characterized by stable employment, record SBA lending, continued business formation, and profitability for most firms. However, businesses face headwinds from inflation, supply chain disruptions, and elevated uncertainty about future economic conditions.

Source: Advocacy Bulletin series; SBA 7(a) & 504 Activity Reports

Figure 6. Legal Form of Organization, Small Employers



18. What is the small business share of federal procurement?

In Fiscal Year 2024, 28.8 percent of contracting dollars went to small businesses, which exceeded the 23 percent goal for small businesses. Of agencies with at least $1 billion in contract dollars, the Department of Agriculture (72.9 percent), the Department of the Interior (62.5 percent), and the Environmental Protection Agency (55.8 percent) awarded the highest share of contracting dollars to small businesses.

Source: SBRS

19. Who can I contact about regulations and their impact?

The Office of Advocacy monitors agencies' efforts to minimize regulatory impacts on small businesses. Small businesses are encouraged to participate in the regulatory process by contacting the Red Tape Hotline at 800-827-5772 option 3 or via email at RedTape@sba.gov.

WHAT'S NEW WITH SMALL BUSINESS?

FEBRUARY 2026

WHAT IS A SMALL BUSINESS?

<500

A small business is generally defined as an independent business with fewer than 500 employees.

NET NEW JOBS

61%

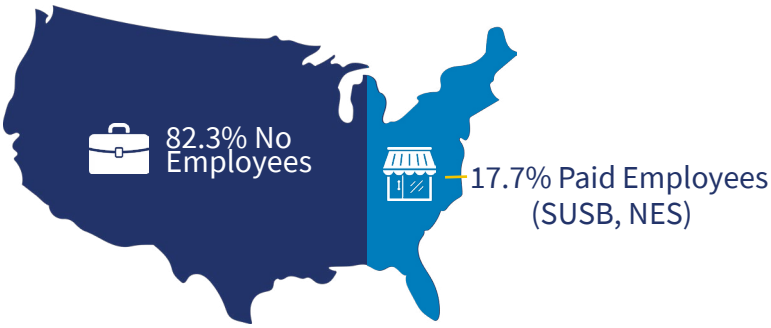
Small businesses accounted for 60% of net new jobs.
BED [Jan. 1995- Dec. 2024]

SMALL BUSINESS COMPRISE

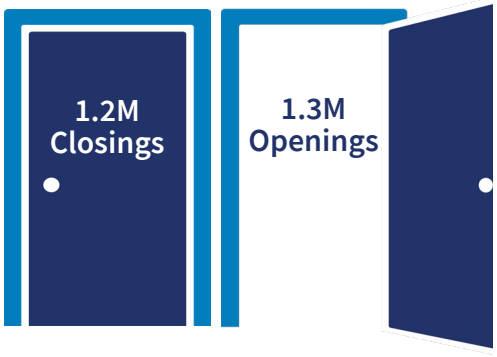
SUSB, NES, ITA

ALL FIRMS	ALL FIRMS with paid employees	EXPORTING FIRMS	KNOWN EXPORT VALUE	PRIVATE SECTOR EMPLOYEES	SMALL BUSINESS % OF GDP	PRIVATE SECTOR PAYROLL
99.9%	99.7%	97.2%	33.0%	45.9%	43.5%	38.7%

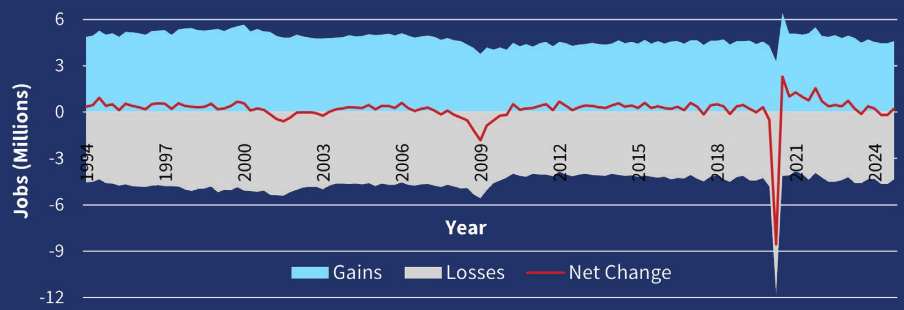
36.2M SMALL BUSINESSES IN THE U.S.



CHANGE IN ESTABLISHMENTS



Quarterly Changes in Small Business Jobs, 1994-2024



Source: BED

SOURCES

ABS Annual Business Survey
BED Business Employment Dynamics
PIEC Profile of U.S. Importing and Exporting Companies
NES Nonemployer Statistics
SUSB Statistics of US Businesses

For more information, visit advocacy.sba.gov.

Office of Advocacy

The Office of Advocacy and Small Business Data

The Office of Advocacy was created by Congress in 1976. Advocacy's mission includes conducting economic studies and research on issues of concern to small businesses. The office also publishes statistics on small firm characteristics and contributions. Links to the small businesses economic data sources used here are below and on our website, https://advocacy.sba.gov, which contains numerous databases and links to other sources.

Have more questions? Email us at advocacy@sba.gov.

Data Sources

AAIS	AI in Business: Small Firms Closing In, Office of Advocacy, Research Spotlight - AI In Business: Small Firms Closing In
ABS	Annual Business Survey 2023, Data Year 2022, US Census Bureau, ABS – Company Summary 2023 Tables (census.gov)
AUSP	2025 Small Business Profile: United States, Office of Advocacy: Small Business Economic Profile US (sba.gov) – 2025 Small Business Profile: Rural Areas, Office of Advocacy https://advocacy.sba.gov/wp-content/uploads/2025/09/FINAL_rural_profile_2025_08_19.pdf
BED	Business Employment Dynamics, Bureau of Labor Statistics, https://www.bls.gov/bdm/
BDS	Business Dynamics Statistics, US Census Bureau, www.census.gov/programs-surveys/bds.html
BTOS	Business Trends and Outlook Survey, US Census Bureau, https://www.census.gov/hfp/btos/data
CPS	Current Population Survey, US Census Bureau, https://www.census.gov/programs-surveys/cps.html
ITA	International Trade Administration, https://www.trade.gov
NAM	National Association of Manufacturers, https://nam.org/wp-content/uploads/2023/10/Regulations-Exec-Summary.pdf
NES	Nonemployer Statistics, US Census Bureau, www.census.gov/programs-surveys/nonemployer-statistics.html
NES-D	Nonemployer Statistics by Demographics (NES-D): Nonemployer Statistics by Demographics (NES-D) Data (census.gov)
SBA	Office of Advocacy, Bulletin Series Office of Capital Access, 7(a) and 504 Activity Reports
SBGDP	Small Business GDP 1998-2014, SBA Office of Advocacy https://advocacy.sba.gov/wp-content/uploads/2018/12/Small-Business-GDP-1998-2014.pdf – Frequently Asked Questions About Small Businesses Finance, SBA Office of Advocacy https://advocacy.sba.gov/wp-content/uploads/2024/11/Small-Business-Finance-FAQs-2024_FINAL.pdf
SBRS	Small Business Reporting Scorecard FY 2024, Small Business Administration, Individual Scorecard (sba.gov)
SUSB	Statistics of US Businesses 2022, US Census Bureau, SUSB Tables (census.gov)

This report uses the most recent available data from government sources. Statistics on the number of small businesses are based on the Census Bureau's 2022 Statistics of U.S. Businesses (SUSB) and 2022 Nonemployer Statistics (NES), released in 2025 and 2023, respectively. The Census Bureau's Business Trends and Outlook Survey (BTOS) provide timely data on business conditions and performance in the last two weeks and expectations about future business conditions.

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