

Entrepreneurs: Who Needs Them Anyway?

Antony Davies

Association of Private Enterprise Education

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Data Sets

Survey of Business Owners (SBO), Census Bureau

- non-farm businesses filing as proprietorship, partnership, or corporation and with receipts of \$1,000 or more
- “family” if two or more members of a family are, together, majority owners
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Individual tax returns, IRS

- 146,000 personal income tax returns

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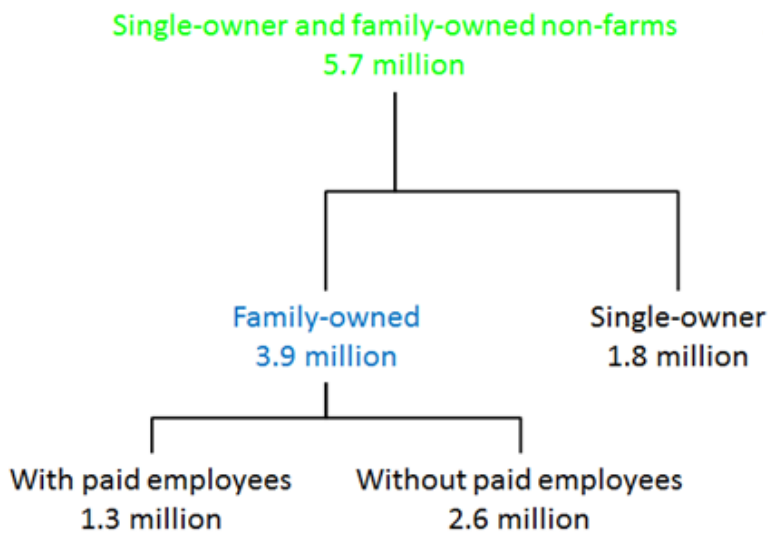
- Narrow: Non-farm family-owned businesses.
- Intermediate: Narrow + non-farm single-owner businesses.
- Broad: Intermediate + full-time family-owned and single-owner farms.

Family-owned
3.9 million

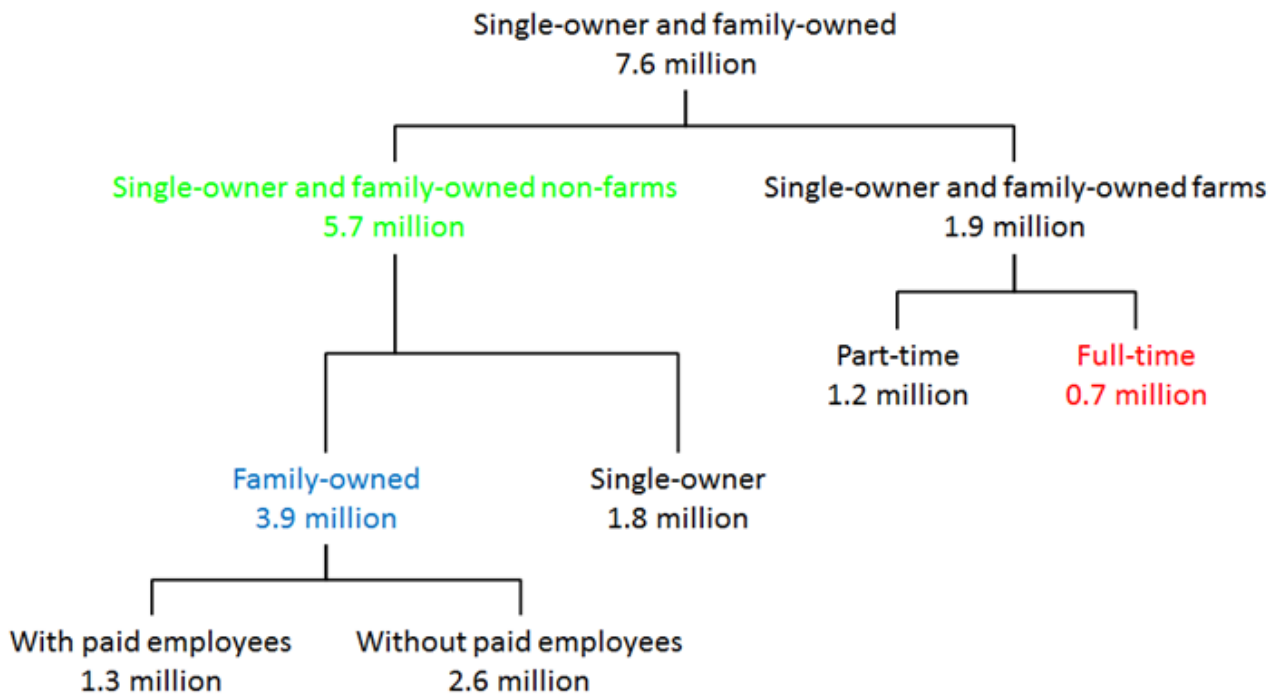
With paid employees
1.3 million

Without paid employees
2.6 million

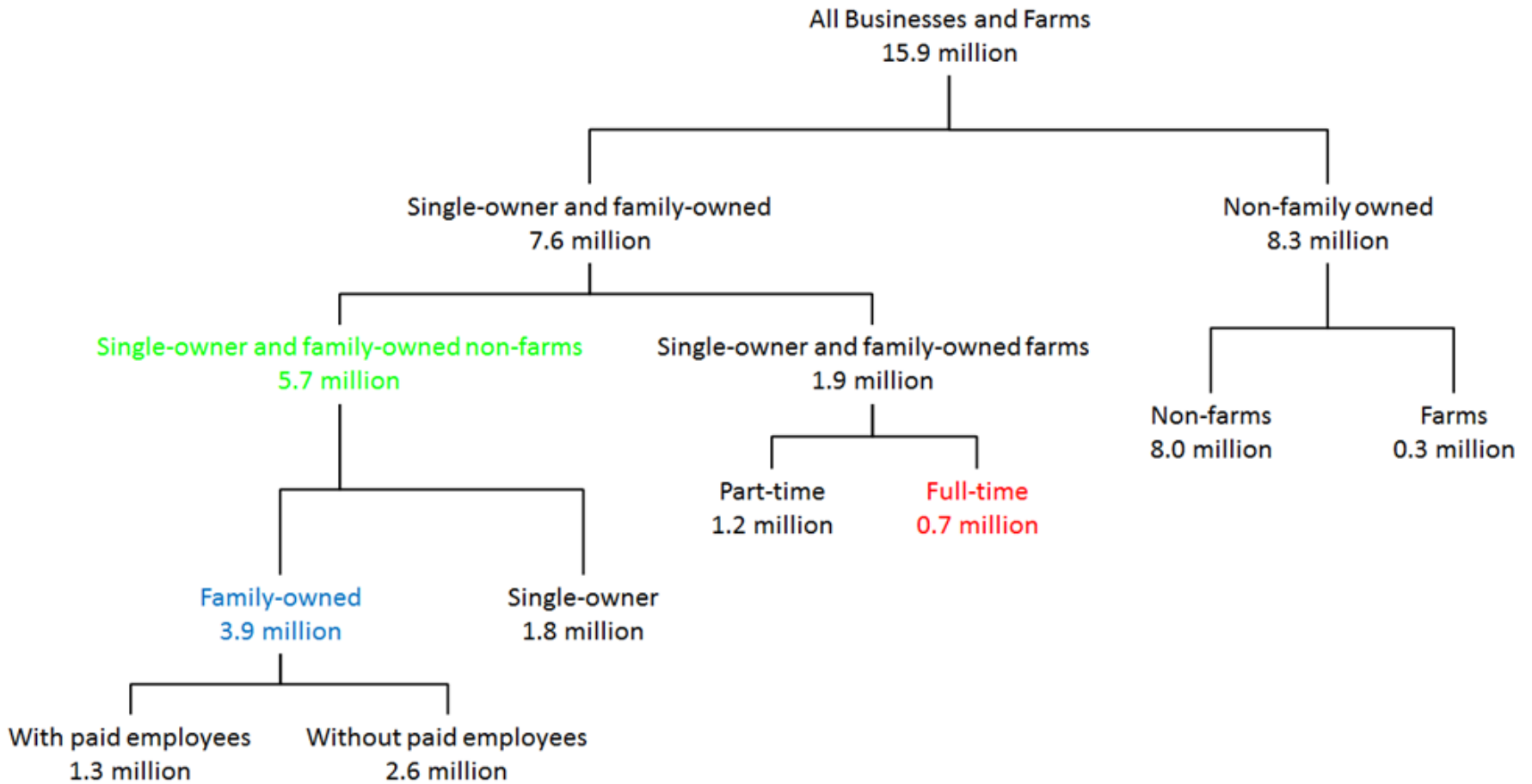
SBO and COA survey respondents



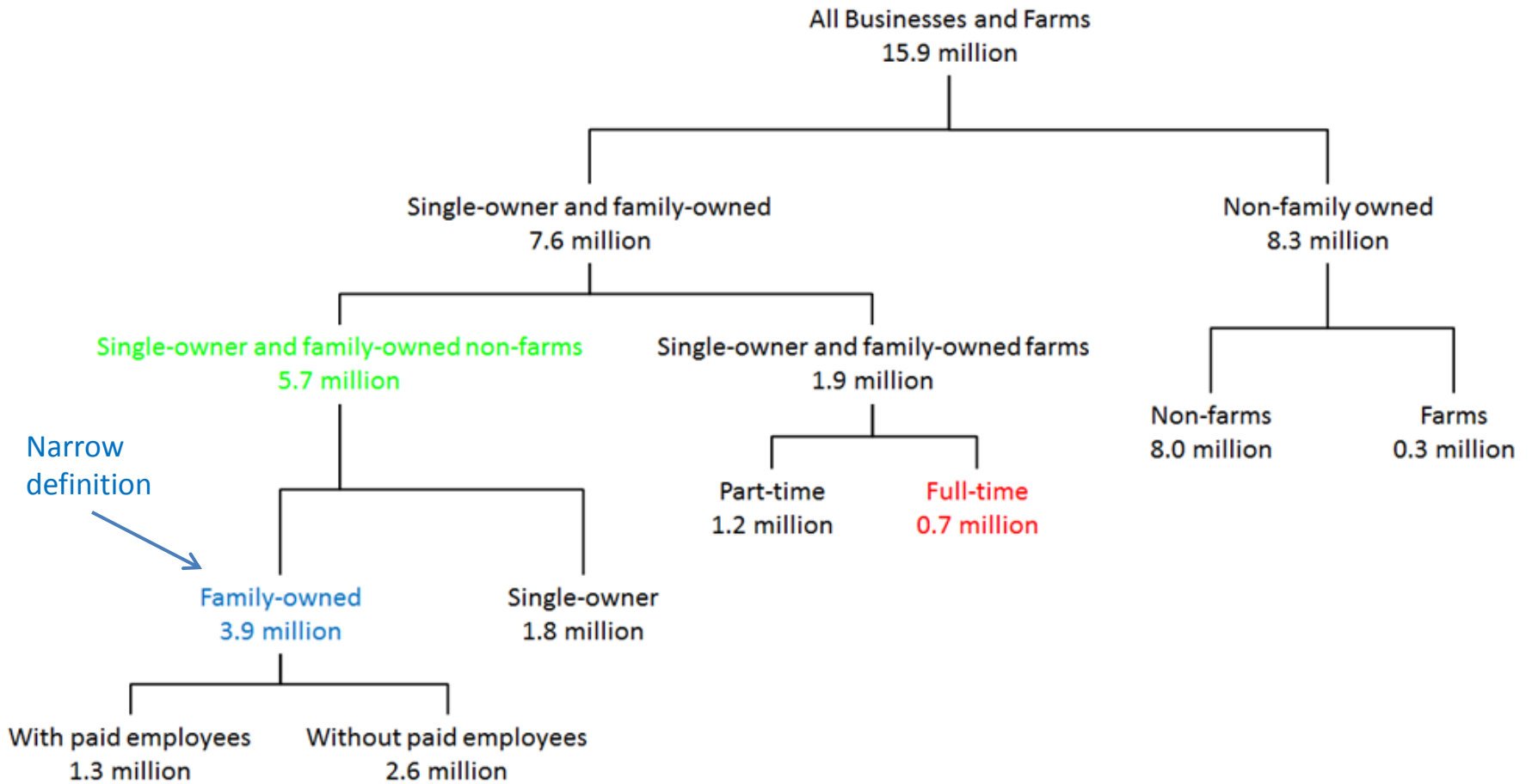
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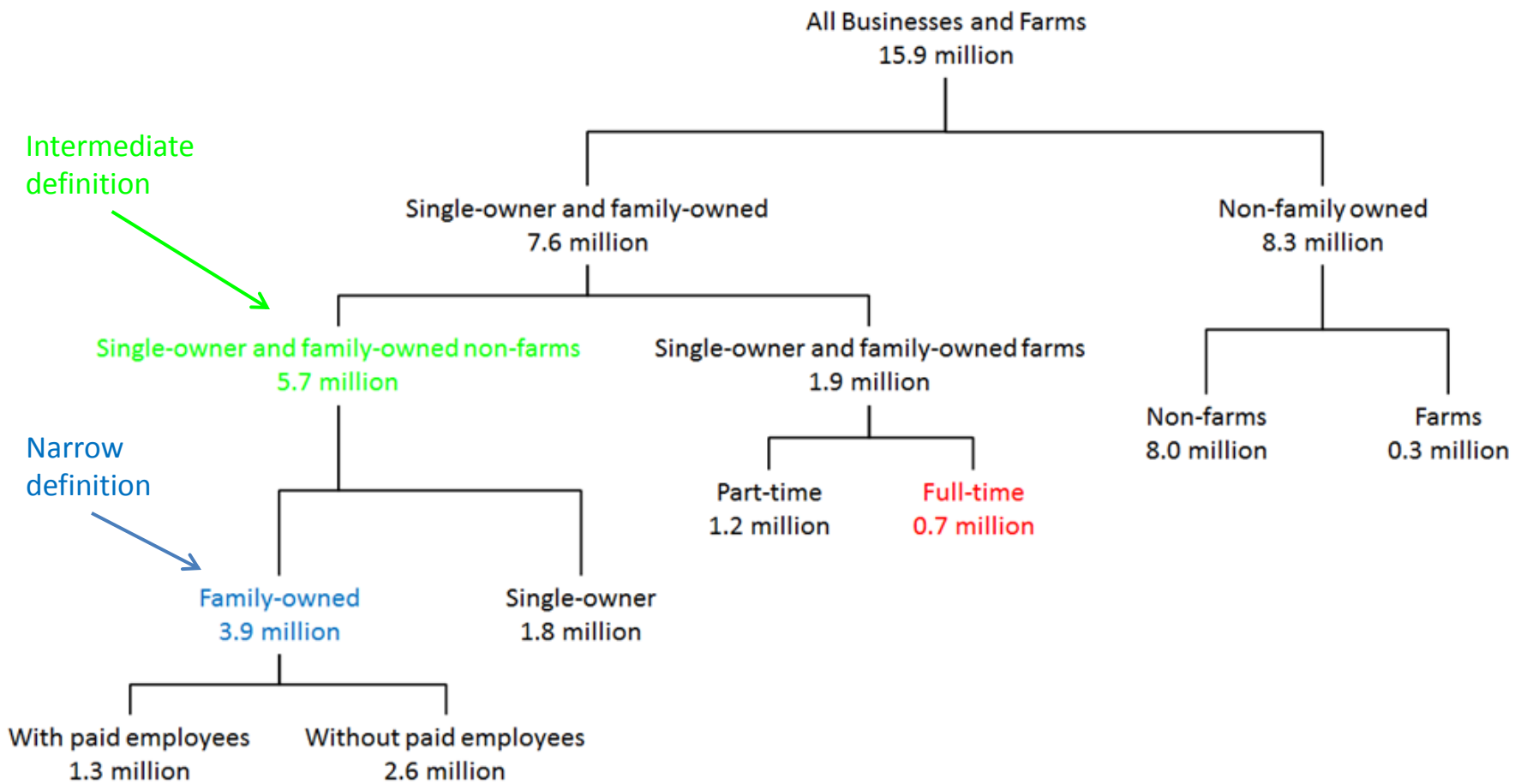
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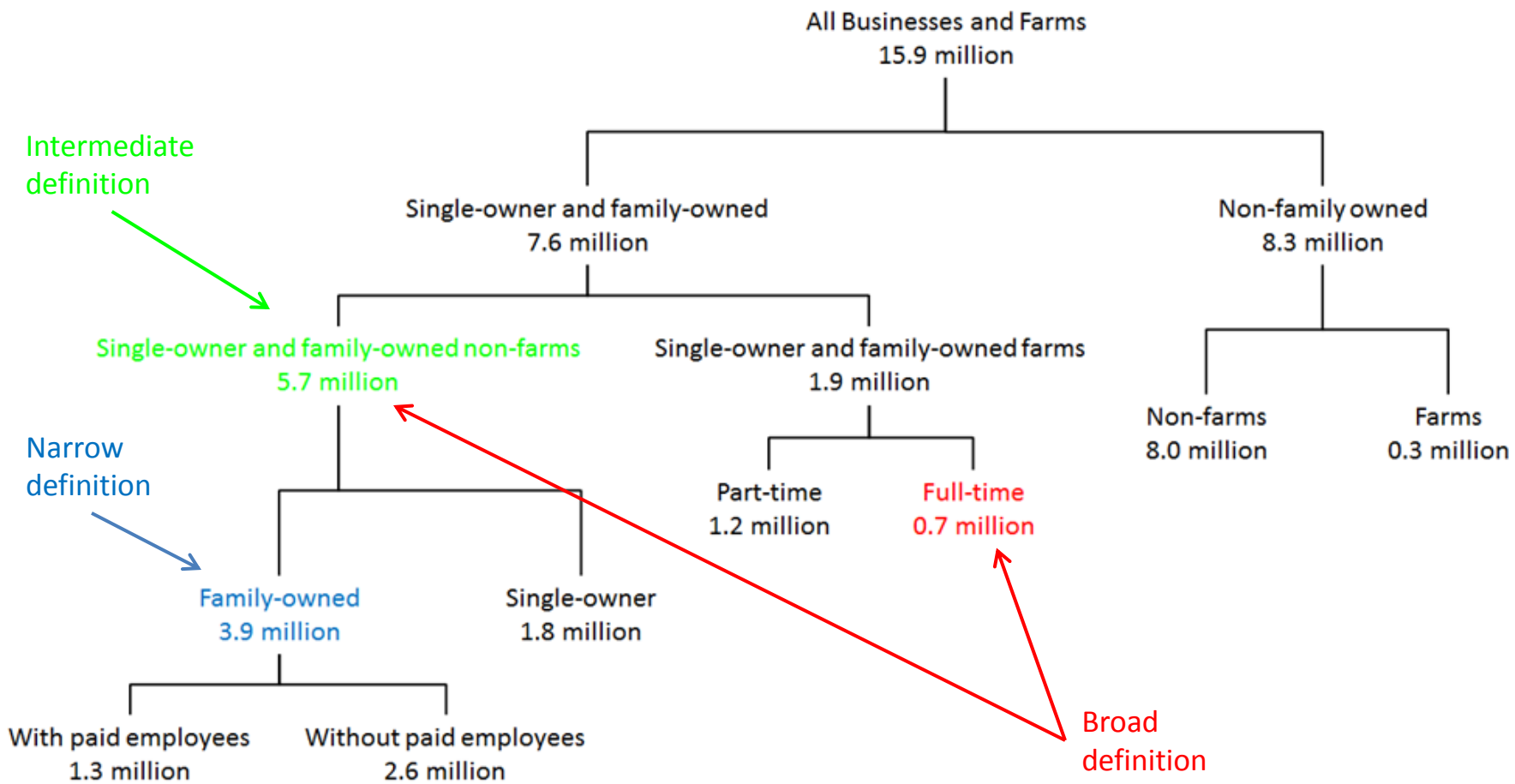
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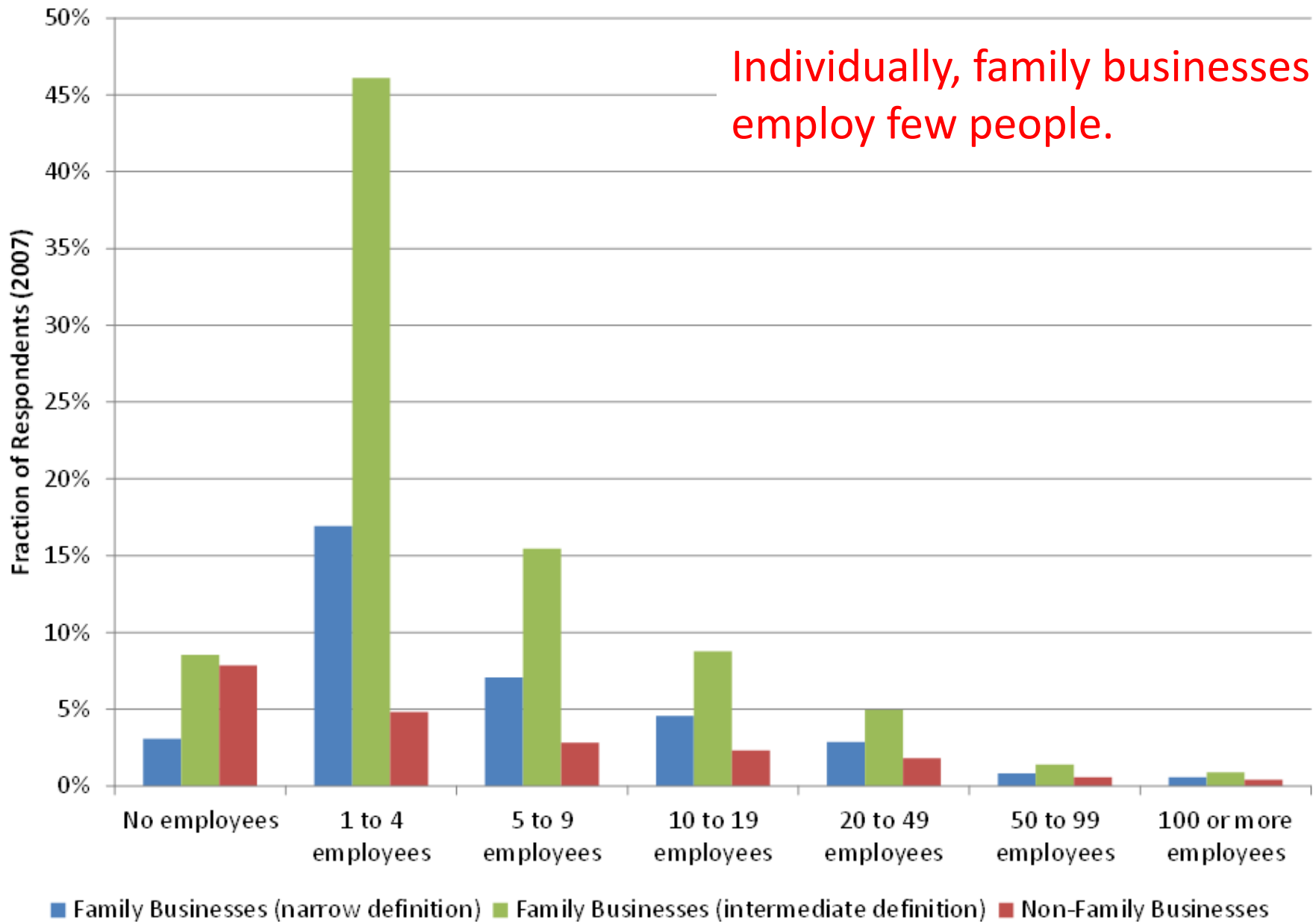


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Individually, family businesses employ few people.



Economic Footprint of Family Businesses

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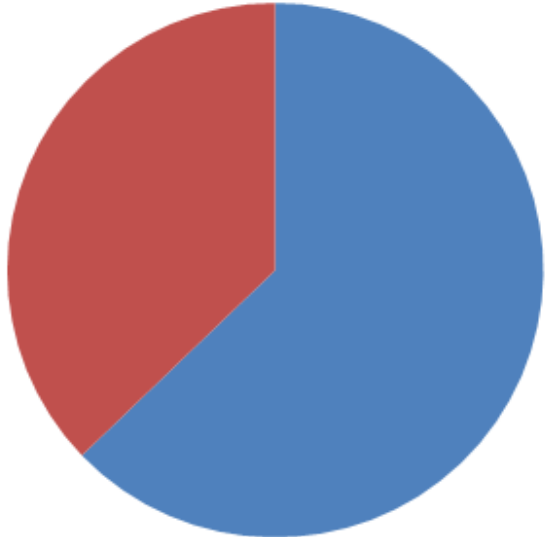
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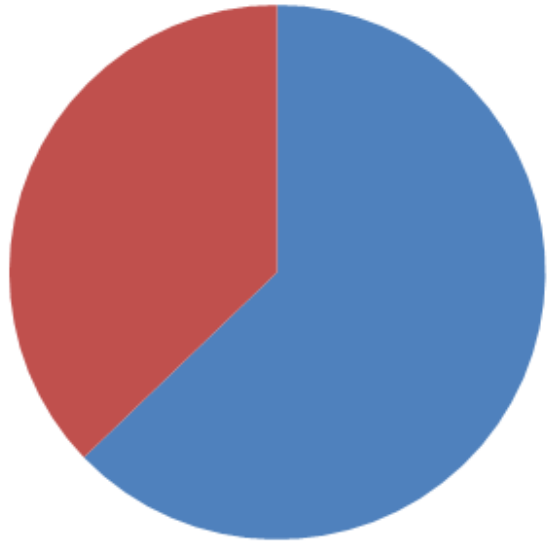
Family business jobs generate twice the total income of non-family business jobs.

Family Businesses



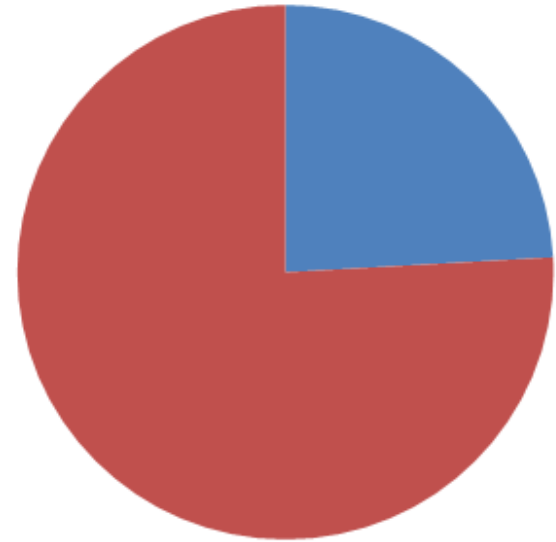
■ 50% or More Female Owned

Family Businesses



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Non-Family Businesses



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Among respondent firms with paid employees, females have majority or equal ownership of 63% of family businesses versus only 24% of non-family businesses.

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Observation bias: Failed large firms vs. failed small firms

What Can the IRS Tell Us?

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Schedule C Income from a single-owner business

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Schedule E Rent and royalty income to a single-owner or couple

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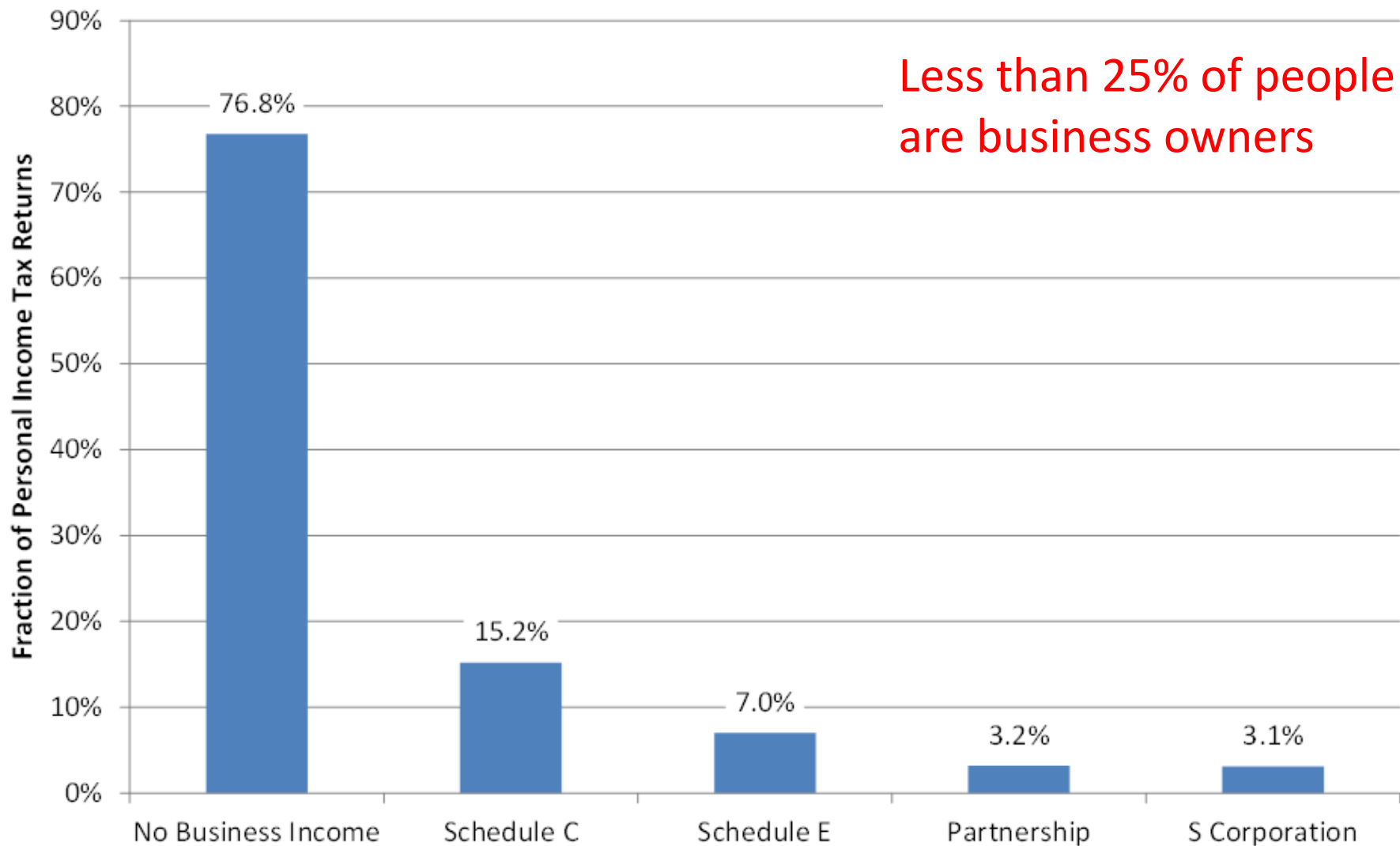
Schedule E Rent and royalty income to a single-owner or couple

Partnership Income from a multi-owner business

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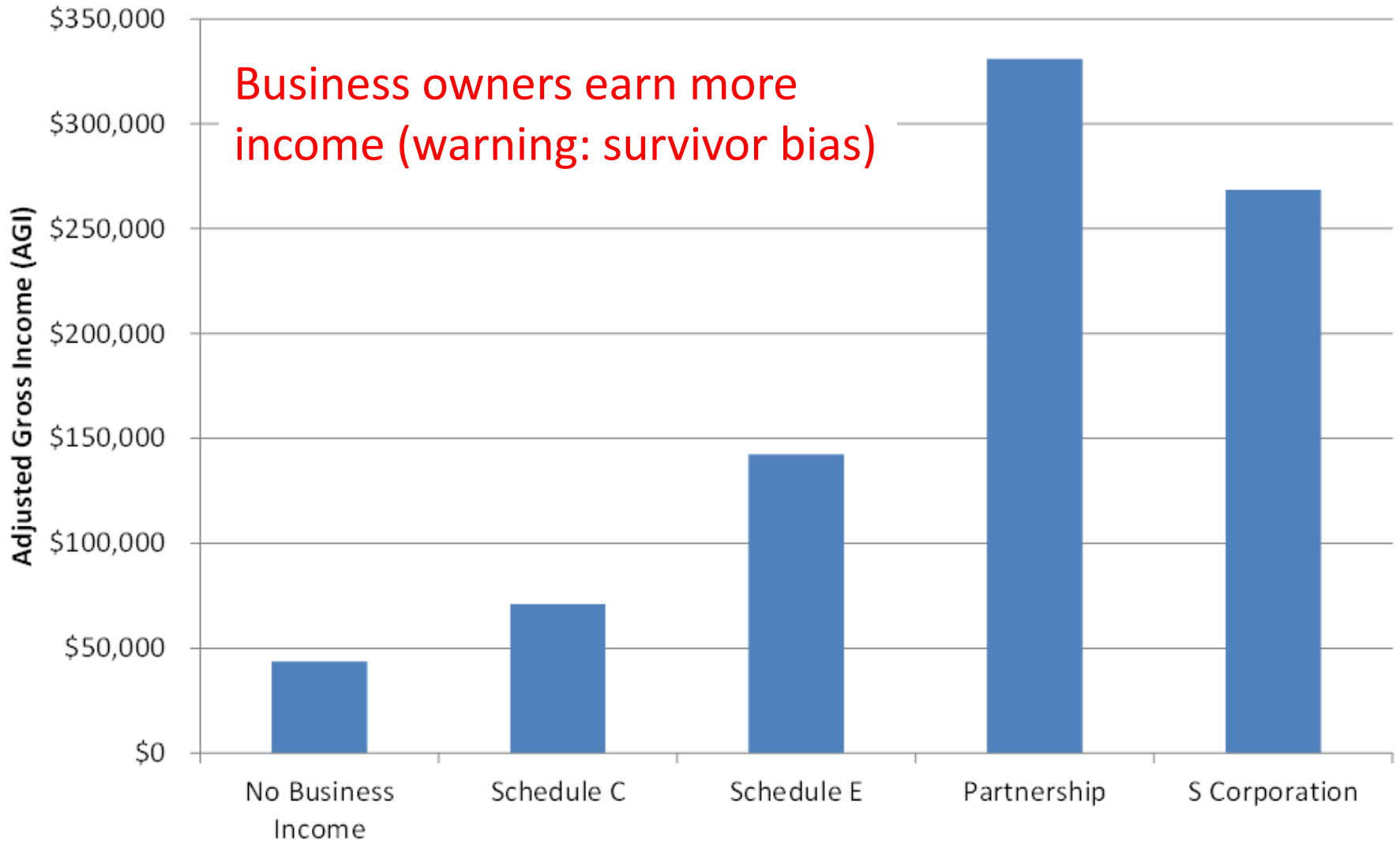
Schedule C	Income from a single-owner business
Schedule E	Rent and royalty income to a single-owner or couple
Partnership	Income from a multi-owner business
S-corporation	Income from a small corporation

IRS Tax Classification	IRS Definition	SBO/COA Definition
Schedule C	Income from a single-owner business	Intermediate and broad definitions
Schedule E	Rent and royalty income earned by an individual or couple	Intermediate and broad definitions
Partnership	Income from a multi-owner business	May or may not be a family business
S-Corporation	Income from a small corporation	May or may not be a family business

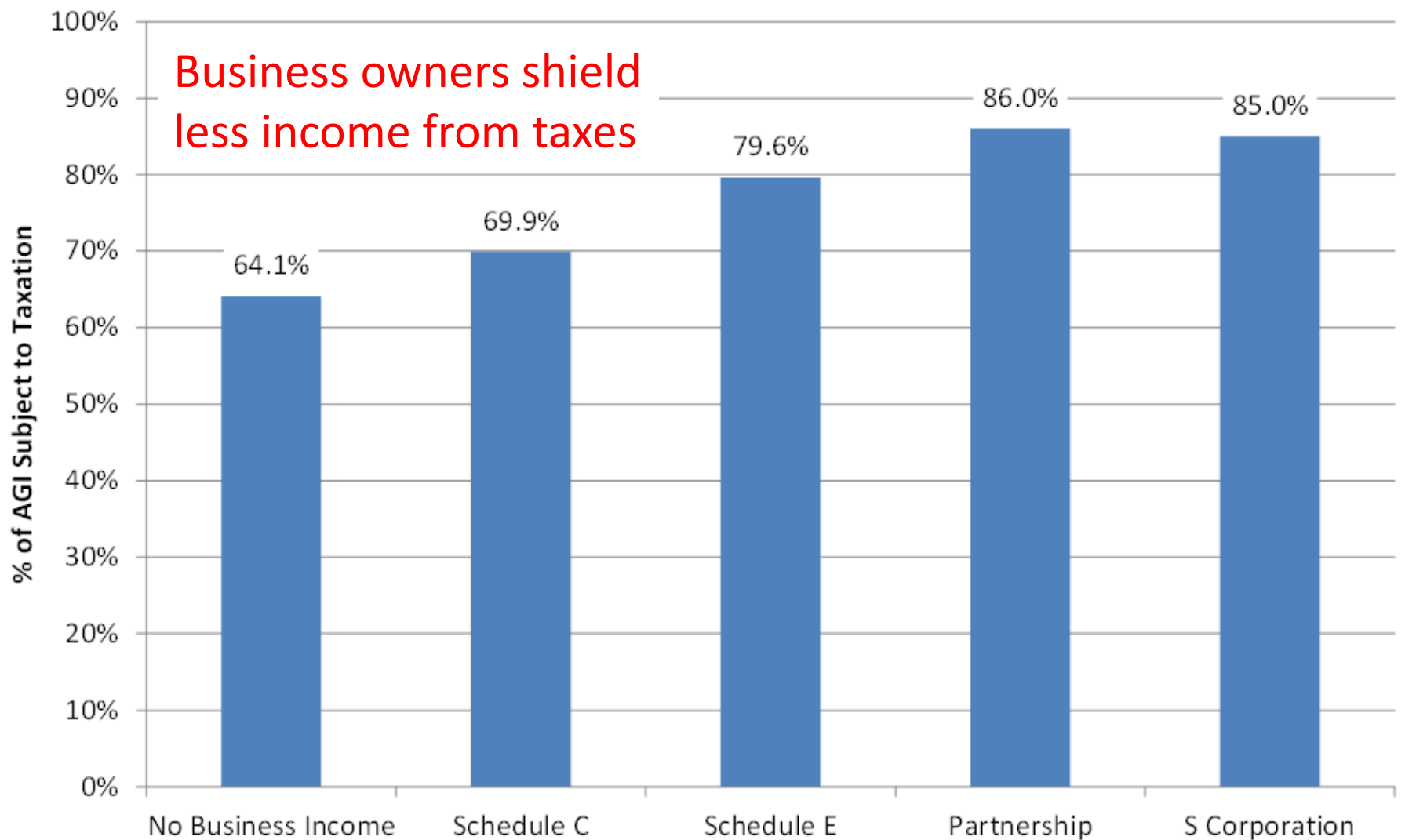


Less than 25% of people are business owners

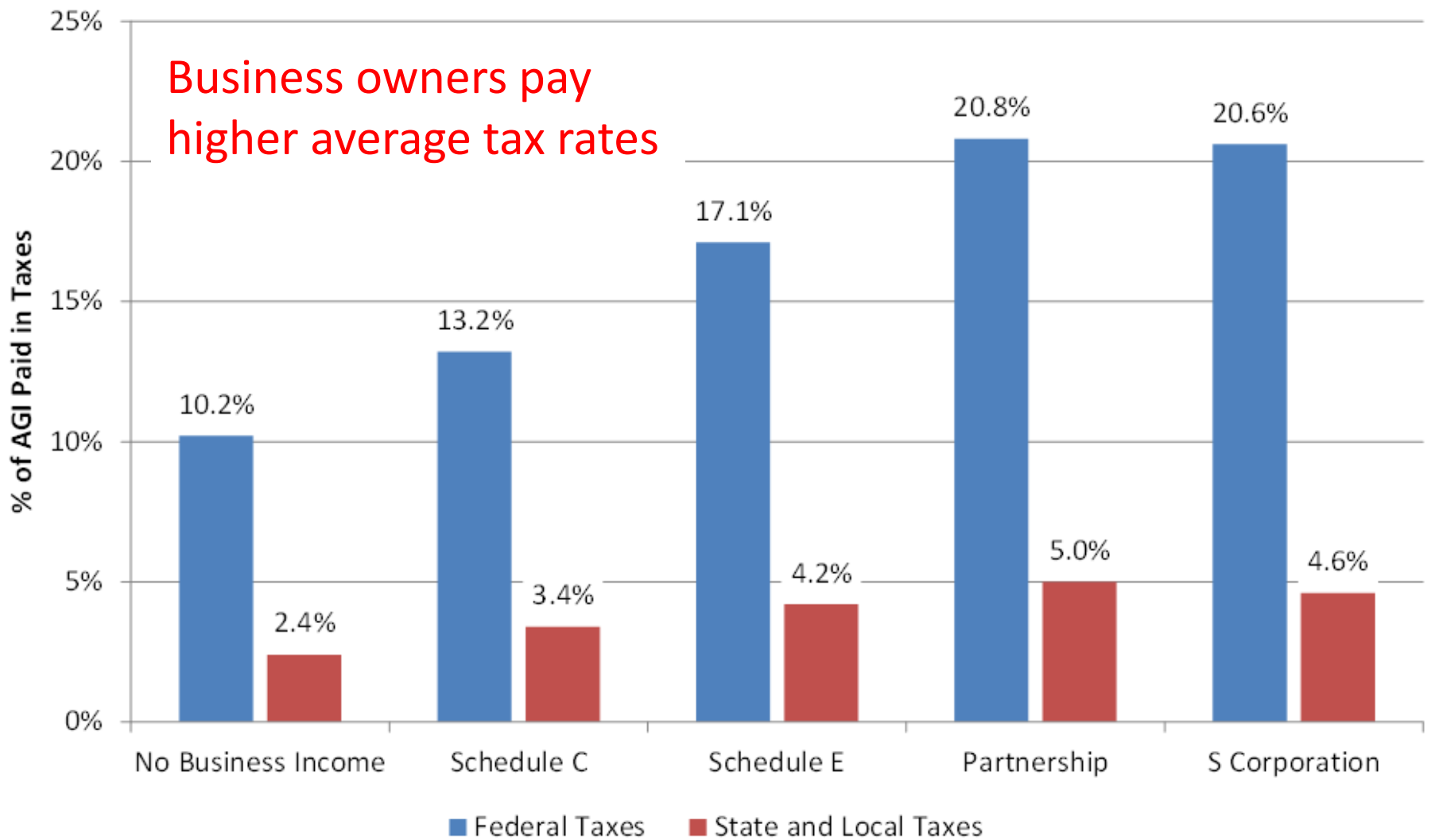
Business owners earn more income (warning: survivor bias)



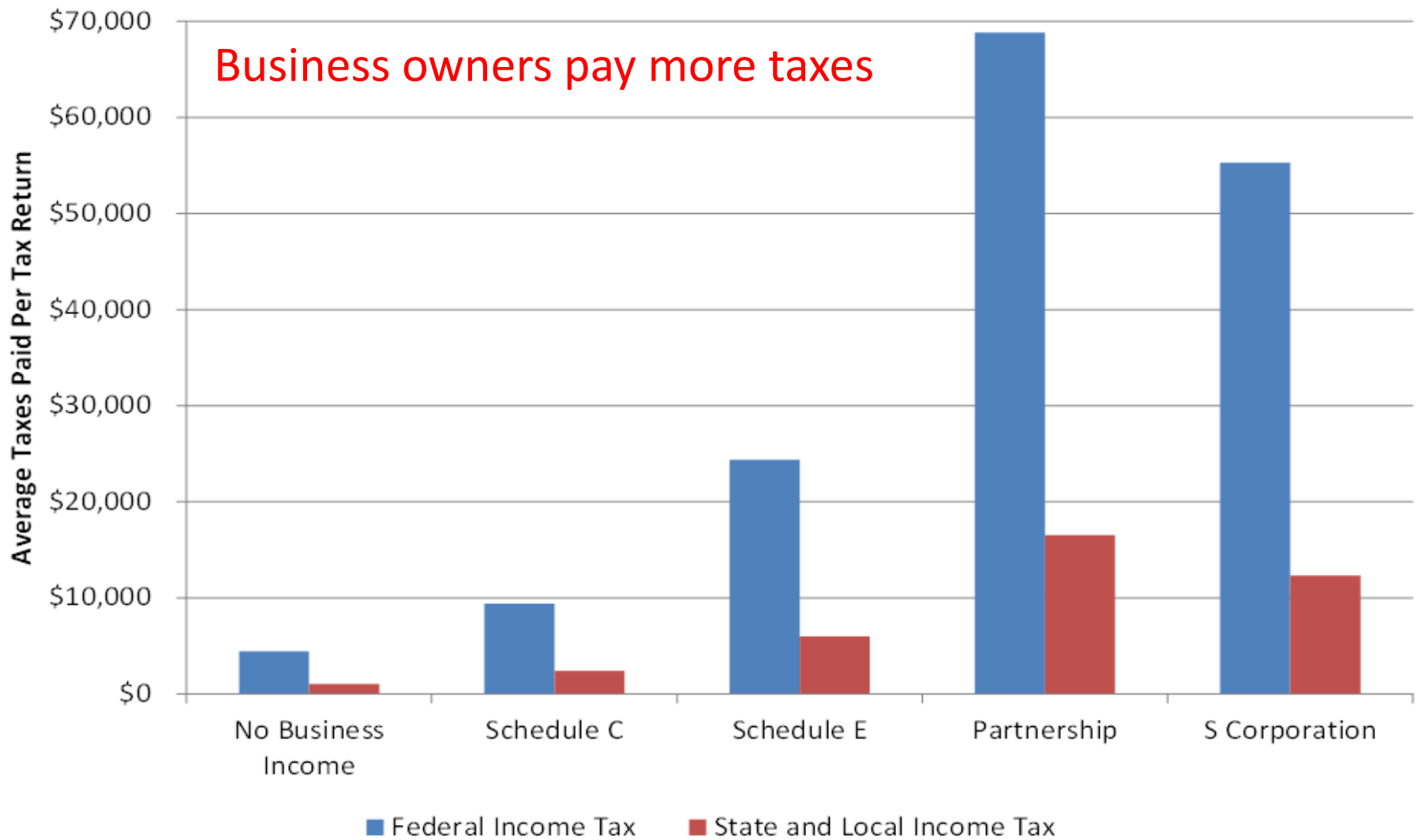
Adjusted gross income for the average business owner was between 1.6 and 7.6 times that for the average non-business owner.



Avoiding taxes reduces the percentage of AGI that is taxable. On average, non-business owners shield more of their incomes from taxes than do business owners.

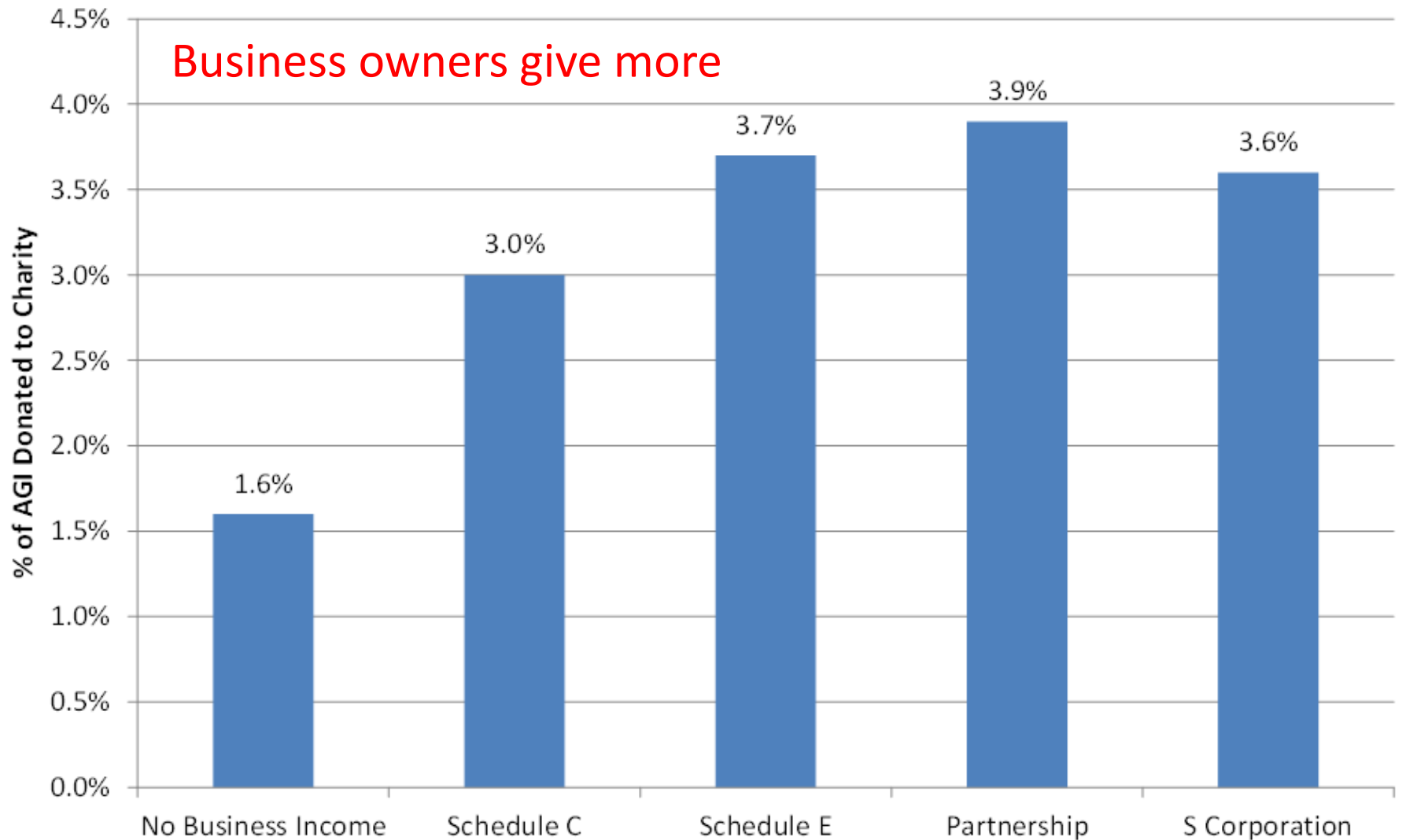


Business owners pay a higher average tax rate (for both federal and state and local taxes) than do non-business owners.

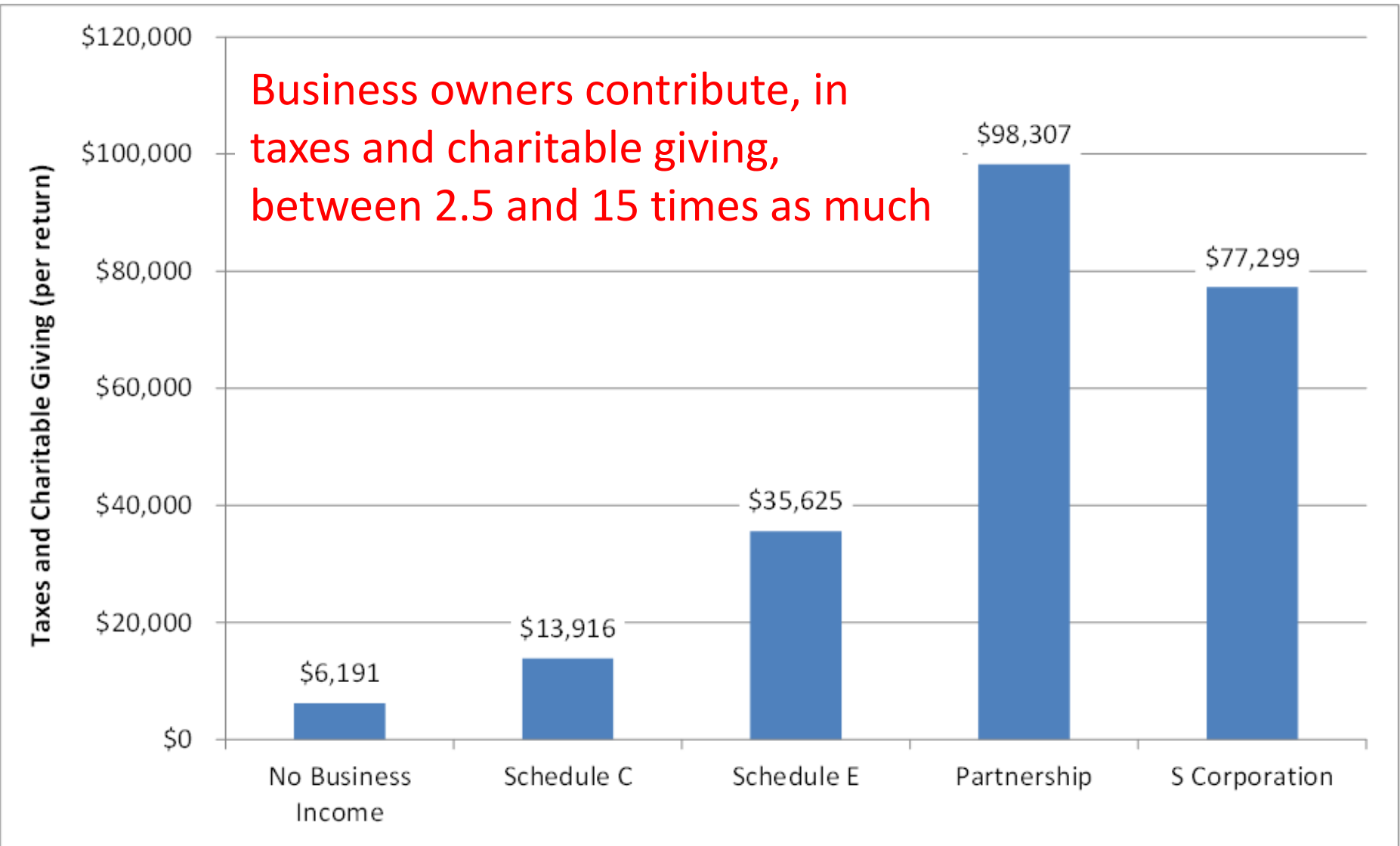


The average business owner pays between 2 and 15 times the taxes paid by the average non-business owner.

Business owners give more



Business owners contribute between 3% and 4% of their adjusted gross incomes to charity versus slightly more than 1.5% for non-business owners.



In 2006, the average non-business owner contributed approximately \$6,200 to society in the form of federal, state, and local taxes and charitable contributions. The average business owner contributed between \$14,000 and \$98,000.

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Need to focus more attention on policies that affect small/family business (e.g., estate tax).

Need to emphasize the asymmetric political incentives to focus on large businesses.

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