

5 Distinctions Separating Small Business From Big Business

1. Small businesses pay more per employee in regulatory compliance

According to a study by economists Nicole V. Crain and W. Mark Crain commissioned by the National Association of Manufacturers, small businesses (50 employees or less) face an annual regulatory cost of \$11,724 per employee, which is 30 percent higher than the regulatory cost facing large firms (defined as firms with 100 or more employees).

<http://www.nam.org/Data-and-Reports/Cost-of-Federal-Regulations/Federal-Regulation-Executive-Summary.pdf>

2. Small businesses pay three times as much to comply with taxes

In another study by the Crains, conducted for the U.S. Small Business Administration, it found “With respect to tax compliance, the cost per employee is three times higher in small firms than in large firms.”

[http://www.sba.gov/sites/default/files/The%20Impact%20of%20Regulatory%20Costs%20on%20Small%20Firms%20\(Full\).pdf](http://www.sba.gov/sites/default/files/The%20Impact%20of%20Regulatory%20Costs%20on%20Small%20Firms%20(Full).pdf)

3. Personal – not corporate – tax rates are more important to small firms.

Eighty-five (85) percent of small employers, defined as having more than \$100,000 in annual gross receipts, but less than \$50 million, are structured as pass-through entities (S corporations, limited liability companies, sole proprietorships or partnerships) that pay taxes on their business income at the individual rate. Most small businesses do not pay the corporate tax.

4. Small business health insurance is more expensive than big business.

Small business health insurance must cover abundant state-benefit mandates and a federal list of mandated benefits known as the Essential Health Benefits package. Federal law, the Employee Retirement Income Security Act (ERISA), allows big business and big labor to ignore thousands of state-benefit mandates and the new federal requirements on health plans. Having federal rules that allow them to ignore state mandates lowers the cost of health insurance. The federal government has steadfastly refused to allow small businesses to band together across state lines in order to form large purchasing pools for health care. Big businesses benefit from economies of scale, being able to buy in bulk and spread risks over thousands of employees. Administrative costs are also higher for small businesses.

5. The health-care law adds a new tax that targets small businesses.

Small business health insurance costs have increased by 74 percent over the past decade, making it more difficult to offer benefits to employees. The reason more small-business owners can't offer health insurance is cost. Those small businesses fortunate enough to afford health insurance for their employees have now been hit with a health insurance tax (HIT) contained in the Patient Protection and Affordable Care Act (Obamacare). Larger businesses and unions that self-insure are exempt from this tax.