



National Small Business Poll

NFIB National
Small Business
Poll

Tax Complexity and the IRS

Volume 13, Issue 5
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NFIB National Small Business Poll

The ***National Small Poll*** is a series of regularly published survey reports based on data collected from national samples of small business employers. The initial volume was published in 2001. The ***Poll*** is designed to address small business oriented topics about which little is known but interest is high. Each survey report looks into a different subject matter.

The survey reports in this series generally contain three sections. The first section is a brief Executive Summary outlining a small number of themes or salient points from the survey. The second is a longer, generally descriptive, exposition of the results. This section is not intended to be a thorough analysis of the data collected nor to explore a group of formal hypotheses. Rather, it is intended to textually describe that which appears subsequently in tabular form. The third section consists of a single series of tables. The tables display each question posed in the survey broken out by employee size of firm.

Individual reports are publicly accessible on the NFIB web site www.411sbfacts.com. The 411 site also allows the user to search the entire data base. It searches all the questions in all of the individual ***Polls*** with a user-friendly key word, topic, or ***Poll*** sort facility.

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*Tax Complexity
and the IRS*

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Executive Summary

- Eighty-four percent of small employers used a tax preparer for their most recent return, generally unchanged from 2006 (Q#1).
- The fear of non-compliance (and the associated fines, costs and time involved) in filing their taxes is the main reason small employers hire a tax preparer or accountant (Q#2).
- Of those small employers who did not use a tax preparer for their most recent tax filing, 78 percent said they did not use one because their return was simple enough to do themselves (Q#4).
- Currently, 64 percent of small employers use an electronic bookkeeping program for business purposes (Q#6).
- About half of small employers process their payroll in-house, 19 percent use an outside accountant or bookkeeper and 18 percent use a payroll service company (Q#28).
- Just over half of small employers personally handle the business's financial paperwork and record-keeping, and 15 percent of owners delegate those responsibilities to an employee (Q#29).
- About 42 percent of small employers spend four hours or more a month on tax compliance activities, with 12 percent spending over 10 hours or more a month (Q#8).
- The main tax compliance activity for half of small employers is paperwork preparation (Q#9).
- About one-third of small employers have sought information from the IRS website over the last three years (Q#11). About one-quarter of them found the website very useful in accessing the information of interest (Q#12).

Tax Complexity and the IRS

Taxes are a major complication for many in operating their small business. Small-business owners are subject to a myriad of taxes, tax credits and tax deductions that are designed to raise local, state and federal revenues, but also designed to influence business decisions. The level of taxation, credits and deductions are established to promote or discourage all sorts of owner behaviors including decisions related to hiring, capital spending, and employee benefits, to name a few. Federal, state and local elected officials modify the composition of the tax codes to align with their priorities, creating consternation among small-business owners who are often confused and frustrated by the level of complexity and costs associated with paying for and complying with the tax laws. The frustration level associated with costs and compliance is immense. NFIB's 2016 Small Business Problems and Priorities survey found that five (six if you include the ACA) of the top 10 most severe problems facing small-business owners are tax related. These problems include the cost of federal and state income taxes and the complexity of compliance along with frequent changes in the tax code.

This issue of the National Small Business Poll is an update of the “2006 Tax Complexity and the IRS” survey.

Preparing Tax Returns

The complexity of the tax code compels most small employers to hire a tax preparer or accountant to file their business tax returns. About 84 percent of small employers did just that for their most recent return, generally unchanged from 2006 (Q#1). About 15 percent prepared their most recent business tax returns in-house, half using professional software.

The fear of non-compliance in filing their taxes is the main reason small employers hire a tax preparer or accountant. Forty-three percent of small employers would rather rely on a tax professional to ensure compliance. The second-most frequently expressed reason for hiring a tax professional is tax complexity. Thirty-four percent of small employers use a tax preparer because the tax laws and requirements are too

complex to do it themselves. Just 10 percent of small employers use a tax professional to find the lowest legal tax liability, and cost-effectiveness is the main reason that 8 percent of small employers use tax professionals.

Business and individual tax filings are one in the same for many small employers whose businesses are legally structured as a pass-through.¹ Therefore, it is not surprising that many small employers use the same tax preparer for their business tax return and the personal or family tax return. About 81 percent of small employers who used a tax preparer for their most recent business tax return used the same person for their individual tax filling (Q#3).

Of those small employers who did not use a tax preparer for their most recent tax filing,

¹ Pass-through businesses are those legally structured as a partnership, proprietorship, S-corp or LLC. The business's tax liability is passed through to the business owner and based on the individual income tax rate.

78 percent said they did not use one because their return was simple enough to do themselves (Q#4). Seven percent said that using a tax preparer was too expensive. Of those small employers not using a professional tax preparer, over half (53 percent) used a tax filing software to file their most recent tax return (Q#5).

Electronic bookkeeping programs such as QuickBooks are often used by small-business owners to help manage their business finances. Currently, about two-thirds (64 percent) of small employers use an electronic bookkeeping program for business purposes (Q#6). This makes it easier for owners to do their own tax filing and easier to provide information to a tax preparer.

Small employers are faced with an on-going myriad of decisions in the course of operating their business. Some of these decisions prompt small-business owners to ask for advice from someone with expertise in the area in question. When it comes to major financial decisions, about half (47 percent) of small employers consult a tax professional or financial planner to help determine tax implications (Q#7). Larger small employers rely more heavily on the advice of a tax preparer with 64 percent normally consulting one on major decisions compared to 43 percent of smaller small employers.

Tax compliance activities are often time consuming for small-business owners, reducing the time they can devote to growing and operating their business. About 42 percent of small employers spend four hours or more a month on tax compliance activities, with 12 percent spending over 10 hours or more a month (Q#8). The main tax compliance activity for half of small employers is paperwork preparation (Q#9). About 18 percent of small employers spend most of this time talking to or coordinating with their tax preparer, and about 12 percent attribute most of their time to filling out tax forms.

Complications in the Code

Tax complexity creates major consternation among small-business owners. According to NFIB's 2016 Small Business Problems and Priorities survey, tax complexity ranks as the fifth-most severe issue facing their business. In fact, the issue is "critical" for over one-fourth of small-business owners. This problem is reflected in the level of understanding most

small employers have related to the tax requirements applicable to their business. Only 15 percent of small employers are "very knowledgeable" with the tax requirements that apply to their business compared to 44 percent who are only "somewhat knowledgeable" (Q#10). About 29 percent feel that they are generally knowledgeable and 12 percent are not at all.

Contacting the IRS

Small-business owners seek tax related information from a number of different sources. One popular source is the IRS website. About one-third of small employers have sought information from the IRS website over the last three years (Q#11). About one-quarter of them found the website very useful in accessing the information of interest (Q#12). About 61 percent of small employers found the website somewhat useful while 14 percent found the website either not very useful or not at all useful. A less frequently used method of communicating with the IRS is by phone. Just 19 percent of small employers called the IRS toll-free telephone number (Q#13).

About one-third of small employers have not contacted the IRS through their website or toll-free number (Q#14). Of those who did, almost two-thirds (63 percent) were satisfied with their experience contacting them. About 15 percent were very satisfied and 48 percent somewhat satisfied. Not all though were pleased with their communications experience with the IRS. About 14 percent were somewhat unsatisfied and another 13 percent were very unsatisfied with their experience contacting the IRS.

Of those who have received a notice or correspondence from the IRS in the past three years, two-thirds found them clear and understandable (Q#15). About 18 percent did not think they were clear and 9 percent found them not understandable at all. About 33 percent of small employers have not received any notices or correspondence from the IRS in the last three years.

While the IRS creates much angst among small-business owners, the timeliness of refunds is one area of operations the agency performs well. Of those small employers who have received an IRS refund in the last three years, 82 percent received their refund in a timely manner and 9 percent did not (Q#16). About 35 percent of small employers have

not received a refund from the IRS in the last three years.

About one-third of small employers have had to pay a penalty of some kind to the IRS in the last three years (Q#17). Of those, about 46 percent thought the penalty was justified and 36 percent did not. About 12 percent were not sure whether it was or was not.

IRS Audits

IRS audits are a fairly rare occurrence for small employers with about 5 percent having been audited in the last five years (Q#18). Of those audited in the last five years, about half were routine in nature and 21 percent were asked for deduction verification. Another 18 percent of audits were due to taxpayer error (Q#19). The length of time completing the audit varied. About 37 percent said their audit took less than one month, about 11 percent claimed it took one to two months and 11 percent three to four months (Q#20). However, about 37 percent of those audited said the process lasted more than four months. And of those audited, about 77 percent of them were satisfied with the outcome (Q#21). About 42 percent of those audited were required to pay a fine of penalty (Q#22). Audits appear to be fairly rare occurrence among small employers with 14 percent of those audited having been audited more than one in the past five years (Q#23).

Tax Credits and Deductions

About 86 percent of small employers claimed all the tax deductions or credits that they were qualified to take over the last five years (Q#24a). Of those who did not, the main reason was because they did not have the supporting paperwork or records to make the claim (Q#24b).

Employer Sponsored IRAs

Just over one-in-five small employers offer a retirement plan to their employees (Q#25). The most common type of retirement plan offer is a 401(k) (Q#26). Roughly 46 percent of small offering employers offer a 401(k) compared to 24 percent offering a SIMPLE plan. Another 14 percent offer a SEP IRA plan to their employees.

Payroll and Recordkeeping

About half (51 percent) of small employers process their payroll in-house (Q#28). Another

19 percent use an outside accountant or bookkeeper, and 18 percent use a payroll service company. Larger small employers are much more likely to use a payroll service company than smaller employer firms.

About half (53 percent) of small employers handle the business's financial paperwork and record-keeping themselves (Q#29). About 15 percent delegated the task to an employee and 13 percent of employers hired someone outside the business to handle it.

Changing a business's legal structure is not a regular occurrence among small employers (Q#31). Just 15 percent small employers changed their legal form of business in the past 10 years. Tax-related identity theft is also a rare occurrence with about 5 percent of small employers having been a victim in the past (Q#32).

Final Comment

Small employers face many challenges in complying with the tax code. Complexities associated with filing their taxes, the time and paperwork obligations and associated costs drain resources that would otherwise be available to reinvest and grow their business. In the larger perspective, businesses do not pay taxes; their customers do. "After tax" profits determine whether or not a business continues to operate. While tax increases are passed on in higher prices, tax cuts are passed on in price reductions as competitors seize on cost reductions as an opportunity to increase business activity and market share by offering lower prices or increased value to customers. This complicates attempts to figure out who ultimately bears the tax burden. This means that business owners, large and small, are forced to be tax collectors for various levels of government.

The cost of this service is substantial. First, the most important asset a small firm has is the owners' time. The complexity of the tax code forces small-business owners to spend significant time just filling out tax forms and keeping records, time taken away from growing their business. The same amount of tax revenue could be collected much more simply and at a lower cost. Because of the complexity and the penalties imposed by the IRS when mistakes are made, most owners are compelled to hire professionals to file tax returns, another waste of valuable capital. The tax code also changes frequently, ranking

this as one of the top ten concerns of small-business owners.²

For virtually all small businesses, profits are the main source of capital to finance growth and business investment. The amount of the tax collected along with the firm's cost incurred to compute and pay the tax are drains on this stream of capital. Failure to address the costs of complexity continues to impede economic growth.

Much should be done to reduce the “anti-growth” aspects of the tax code, which has become a social engineering document, not a simple revenue collecting mechanism. The complexities and costs associated with providing other employee benefits should also be simplified, making it easier to offer such benefits as retirement plans, health insurance and the like.

² Wade, Holly, NFIB Small Business Problems and Priorities, NFIB Research Center, 2016.

Tax Complexity and the IRS

(Please review notes at the table's end.)

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Did you use a paid preparer or accountant to prepare your most recent tax return for your business?				
1. Yes	82.3%	89.7%	87.5%	83.6%
2. No	16.5	7.7	6.9	14.7
3. (DK/Refuse)	1.2	2.6	5.6	1.7
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
2. Which best describes the primary reason you used a preparer or accountant?				
1. More cost-effective than doing it myself	7.3%	10.0%	9.5%	7.8%
2. Tax laws and requirements are too complex to do it myself	35.4	31.4	27.0	34.1
3. Would rather rely on a tax professional to ensure compliance	40.3	50.0	52.4	42.6
4. A tax professional is most likely to find the lowest legal amount of tax	11.1	7.1	7.9	10.4
5. (All of the above)	3.4	—	1.6	2.9
6. (Other)	2.4	1.4	1.6	2.2
Total	100.0%	100.0%	100.0%	100.0%
N	288	179	175	642
3. Did you use the same tax preparer or accountant to prepare your personal tax returns?				
1. Yes	86.8%	67.6%	54.7%	81.4%
2. No	12.8	29.6	43.8	17.8
3. (DK/Refuse)	0.4	2.8	1.6	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	288	179	175	642

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
4. Why didn't you use a paid preparer or accountant to prepare your business tax returns?				
1. Returns are simple enough to do myself	77.8%	80.0%	75.0%	77.8%
2. It's too expensive	7.1	20.0	—	7.4
3. I don't trust others with my taxes	3.0	—	—	2.8
4. (Other)	9.1	—	—	8.3
5. (DK/Refuse)	3.0	—	25.0	3.7
Total	100.0%	100.0%	100.0%	100.0%
N	58	16	13	87
5. Did you use a tax filing software program such as TurboTax or TaxAct to file your most recent tax returns?				
1. Yes	51.5%	83.3%	50.0%	53.2%
2. No	43.4	16.7	25.0	41.3
3. (DK/Refuse)	5.1	—	25.0	5.5
Total	100.0%	100.0%	100.0%	100.0%
N	58	16	13	87
6. Do you use an electronic bookkeeping program such as QuickBooks for business purposes?				
1. Yes	59.1%	84.8%	80.8%	63.9%
2. No	40.1	13.9	15.1	34.9
3. (DK/Refuse)	0.8	1.3	4.1	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
7. Do you typically consult a tax professional or financial planner prior to making a major financial decision for the business to determine its tax implications?				
1. Yes	43.4%	60.8%	63.9%	47.2%
2. No	55.4	36.7	30.6	51.1
3. (DK/Refuse)	1.2	2.5	5.6	1.7
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

		Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms	
8.	On average, how many hours a month do you personally spend on tax compliance activities and tax recordkeeping for your business?				
1.	Less than 1 hour a month	22.6%	18.8%	23.3%	22.2%
2.	1-3 hours	26.6	16.3	12.3	24.1
3.	4-6 hours	18.8	16.3	11.0	17.6
4.	6-10 hours	12.0	16.3	11.0	12.4
5.	Over 10 hours	11.4	16.3	16.4	12.4
6.	(DK/Refuse)	8.9	16.3	26.0	11.3
Total		100.0%	100.0%	100.0%	100.0%
N		350	200	200	750
9.	Is most of the time you spend on tax compliance spent:				
1.	Searching for tax-related information	7.7%	6.5%	6.8%	7.5%
2.	Paperwork preparation	51.8	49.4	32.9	49.7
3.	Filling out tax forms	11.7	7.8	15.1	11.6
4.	Talking to or coordinating with your tax preparer	16.9	26.0	21.9	18.3
5.	All of the above	2.0	—	—	1.6
6.	Don't spend time on tax compliance	0.5	1.3	1.4	0.7
7.	(Other)	2.3	1.3	4.1	15.4
8.	(DK/Refuse)	7.2	7.8	17.8	8.3
Total		100.0%	100.0%	100.0%	100.0%
N		350	200	200	750
10.	How knowledgeable are you with tax requirements associated with your business – very knowledgeable, knowledgeable, somewhat knowledgeable, or not at all knowledgeable?				
1.	Very knowledgeable	15.2%	15.2%	13.9%	15.1%
2.	Knowledgeable	30.1	24.1	25.0	28.9
3.	Somewhat knowledgeable	42.6	50.6	47.2	43.9
4.	Not at all knowledgeable	11.4	10.1	13.9	11.5
5.	(DK/Refuse)	0.8	—	—	0.7
Total		100.0%	100.0%	100.0%	100.0%
N		350	200	200	750
11.	Over the last three years, have you attempted to obtain tax-related information from the IRS Web site?				
1.	Yes	32.2%	35.4%	31.9%	32.5%
2.	No	65.4	63.3	66.7	65.3
3.	(DK/Refuse)	2.3	1.3	1.4	2.1
Total		100.0%	100.0%	100.0%	100.0%
N		350	200	200	750

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
12. Considering the tax-related information you wanted and the tax-related information you found, did you find the IRS Web site very useful, somewhat useful, not very useful, or not at all useful?				
1. Very useful	26.4%	21.4%	22.7%	25.5%
2. Somewhat useful	59.6	60.7	68.2	60.5
3. Not very useful	7.8	7.1	4.5	7.4
4. Not at all useful	6.2	10.7	4.5	6.6
Total	100.0%	100.0%	100.0%	100.0%
N	113	72	64	249
13. Over the last three years, have you used the IRS's toll-free telephone number to request tax-related information?				
1. Yes	18.0%	21.8%	19.4%	18.6%
2. No	80.8	75.6	79.2	80.1
3. (DK/Refuse)	1.2	2.6	1.4	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
14. Considering any and all dealings you have had with the IRS over the last three years, how would you rate your overall satisfaction?				
1. Very satisfied	9.7%	9.0%	12.5%	9.9%
2. Somewhat satisfied	31.8	38.5	30.6	32.4
3. Neither satisfied nor unsatisfied	5.2	5.1	6.9	5.3
4. Somewhat unsatisfied	9.4	11.5	6.9	9.4
5. Very unsatisfied	9.4	7.7	5.6	8.8
6. Haven't contacted IRS	33.3	28.2	37.5	33.2
7. (DK/Refuse)	1.3	—	—	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

Do you agree or disagree with the following statements?

15. In the last three years IRS notices and other correspondence have been clear and understandable.

1. Strongly agree	8.9%	9.0%	6.8%	8.7%
2. Agree	32.9	39.7	39.7	34.3
3. Neither agree nor disagree	2.5	2.6	4.1	2.7
4. Disagree	12.5	11.5	9.6	12.1
5. Strongly disagree	6.5	5.1	4.1	6.1
6. Haven't contacted IRS	34.3	26.9	27.4	32.8
7. (DK/Refuse)	2.3	5.1	8.2	3.2
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

16. In the last three years the IRS distributed refunds in a timely manner.

1. Strongly agree	17.2%	7.6%	12.7%	15.8%
2. Agree	37.5	38.0	35.2	37.3
3. Neither agree nor disagree	1.7	2.5	1.4	1.7
4. Disagree	3.7	3.8	—	3.3
5. Strongly disagree	2.8	1.3	—	2.4
6. Haven't received notices	33.8	44.3	39.4	35.4
7. (DK/Refuse)	3.3	2.5	11.3	4.0
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

17. In the last three years IRS penalties levied were justified.

1. Strongly agree	1.7%	1.3%	1.4%	1.6%
2. Agree	14.0	16.3	9.5	13.8
3. Neither agree nor disagree	1.7	2.5	1.4	1.7
4. Disagree	5.7	6.3	2.7	5.5
5. Strongly disagree	6.5	5.0	8.1	6.5
6. Haven't received notices	66.4	65.0	64.9	66.1
7. (DK/Refuse)	4.0	3.8	12.2	4.8
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

18. In the past 5 years have you been audited by the IRS?

1. Yes	4.0%	7.7%	7.0%	4.7%
2. No	93.7	87.2	87.3	92.4
3. (DK/Refuse)	2.3	5.1	5.6	3.0
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

		Employee Size of Firm		
	1-9 emp	10-19 emp	20-249 emp	All Firms
19. Was the reason for the audit due to a:				
1. Verification for a deduction	20.8%	33.3%	—%	20.6%
2. High number of total deductions or credits	8.3	—	—	5.9
3. Taxpayer error	20.8	16.7	—	17.6
4. Employment tax-related issue	12.5	—	—	8.8
5. Routine audit	37.5	50.0	100.0	47.1
Total	100.0%	100.0%	100.0%	100.0%
N	14	16	16	45
20. How long did it take to complete the audit?				
1. Less than a month	41.7%	16.7%	40.0%	37.1%
2. 1-2 months	12.5	16.7	—	11.4
3. 3-4 months	8.3	16.7	20.0	11.4
4. More than 4 months	37.5	50.0	20.0	37.1
5. (DK/Refuse)	—	—	20.0	2.9
Total	100.0%	100.0%	100.0%	100.0%
N	14	16	16	45
21. Were you satisfied with the outcome of the audit?				
1. Yes	79.2%	66.7%	80.0%	77.1%
2. No	20.8	33.3	20.0	22.9
Total	100.0%	100.0%	100.0%	100.0%
N	14	16	16	45
22. Did you have to pay a fine or penalty?				
1. Yes	41.7%	42.9%	40.0%	41.7%
2. No	58.3	57.1	60.0	58.3
Total	100.0%	100.0%	100.0%	100.0%
N	14	16	16	45
23. Have you been audited more than once in the past 5 years by the IRS?				
1. Yes	12.5%	33.3%	—%	14.3%
2. No	87.5	66.7	100.0	85.7
Total	100.0%	100.0%	100.0%	100.0%
N	14	16	16	45

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
24a. In the past 5 years, have you claimed all the tax deductions or credits you were qualified to take?				
1. Yes	86.0%	92.3%	80.8%	86.1%
2. No	6.3	2.6	2.7	5.6
3. (DK/Refuse)	7.6	5.1	16.5	8.3
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
24b. What is the primary reason you did not claim a tax deduction or credit?				
1. Too complex	27.0%	—%	—%	25.0%
2. Thought claiming it would trigger an audit	13.5	—	50.0	15.0
3. Didn't have supporting paperwork or records to claim it	27.0	—	50.0	27.5
4. Other	27.0	100.0	—	27.5
5. (DK/Refuse)	5.4	—	—	5.0
Total	100.0%	100.0%	100.0%	100.0%
N	22	6	5	33
25. Do you offer your employees a retirement plan?				
1. Yes	15.7%	35.9%	53.4%	21.5%
2. No	82.8	62.8	43.8	76.9
3. (DK/Refuse)	1.5	1.3	2.8	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
26. What type of plan do you offer?				
1. 401(k)	32.6%	50.0%	74.4%	45.7%
2. SIMPLE Plan	30.5	21.4	7.7	23.5
3. Profit-sharing	2.1	3.6	—	1.9
4. SEP IRA	17.9	10.7	5.1	13.6
5. Something else	9.5	14.3	7.7	9.9
6. (DK/Refuse)	7.4	—	5.1	5.5
Total	100.0%	100.0%	100.0%	100.0%
N	55	72	107	234

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
27. Why don't you offer your employees a retirement plan?				
1. Required or expected employer contribution is too costly	15.9%	40.0%	36.4%	19.2%
2. Administrative costs are too expensive	8.9	16.0	9.1	9.5
3. Offering is too complicated	3.0	4.0	3.0	3.1
4. Employees are not interested	10.3	8.0	9.1	10.0
5. Other	52.8	30.0	27.3	49.4
6. (DK/Refuse)	9.0	2.0	15.2	8.8
Total	100.0%	100.0%	100.0%	100.0%
N	290	125	89	504
28. Does your company do the payroll in-house, have an outside accountant or bookkeeper do it for you, or do you hire a payroll service company?				
1. In-house	52.9%	42.3%	43.1%	50.9%
2. Outside accountant/ bookkeeper	18.5	24.4	13.9	18.7
3. Payroll service company	13.7	30.8	40.3	18.0
4. Other	11.7	2.6	1.4	9.7
5. (DK/Refuse)	3.1	—	1.4	2.7
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
29. Who does your business's financial paperwork and record-keeping?				
1. Business owner	58.1%	36.7%	22.5%	52.5%
2. An unpaid family member	5.7	2.5	1.4	5.0
3. An employee or employees	11.4	29.1	32.4	15.3
4. An outside firm or individuals	12.4	13.9	14.1	12.7
5. Combination of people/ firms	11.4	16.5	28.2	13.5
6. (DK/Refuse)	1.0	1.3	1.4	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
30. What is your legal form of business?				
1. Proprietorship	33.1%	14.1%	5.6%	28.5%
2. Partnership	4.5	1.3	2.8	4.0
3. S-corporation	22.8	34.6	35.2	25.2
4. C-corporation	8.3	17.9	18.3	10.3
5. LLC	22.0	19.2	18.3	21.3
6. Other	5.5	9.0	5.6	5.9
7. (DK/Refuse)	3.8	3.8	14.1	4.8
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
31. Have you changed your businesses' legal structure in the past 10 years?				
1. Yes	15.2%	15.2%	16.9%	15.3%
2. No	83.3	82.3	78.9	82.8
3. (DK/Refuse)	1.5	2.5	4.2	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
32. Have you personally been a victim of tax related identity theft?				
1. Yes	5.7%	5.7%	2.8%	5.3%
2. No	93.8	94.9	95.8	94.1
3. (DK/Refuse)	0.5	—	1.4	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

Tax Complexity and the IRS Demographics

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
D1. What title best describes your position in the business?				
1. Owner and Manager	87.6%	65.4%	48.6%	81.6%
2. Owner, but not a Manager	5.2	9.0	8.3	5.9
3. Manager, but not an Owner	7.2	25.6	43.1	12.6
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
D2. What is your age?				
1. Less than 25 years old	0.5%	1.3%	—%	0.5%
2. 25 – 34 years old	3.5	7.5	11.1	4.7
3. 35 – 44 years old	11.7	13.8	19.4	12.6
4. 45 – 54 years old	21.2	21.3	22.2	21.3
5. 55 – 64 years old	31.4	28.7	30.6	31.0
6. 65 years or older	28.5	23.8	12.5	26.5
7. (DK/Refuse)	3.2	3.8	4.2	3.3
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
D3. What is your highest level of formal education?				
1. Did not complete high school	1.5%	1.3%	—%	1.3%
2. High school diploma/GED	20.3	12.8	9.9	18.5
3. Some college or an associate's degree	27.6	25.6	25.4	27.2
3. Vocational or technical school degree	3.5	—	2.8	3.1
4. College diploma	30.0	41.0	39.4	32.0
5. Advanced or professional degree	16.0	16.7	19.7	16.4
6. (DK/Refuse)	1.2	2.6	2.8	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
D4. How long have you owned, operated or been employed by this business?				
1. 1 – 2 years	5.7%	6.4%	6.8%	5.9%
2. 3 – 5 years	9.2	10.3	21.9	10.5
3. 6 – 10 years	12.9	16.7	13.7	13.3
4. 11 – 20 years	18.9	19.2	23.3	19.3
5. 21 – 30 years	25.4	19.2	13.7	23.6
6. 31 or more years	27.2	25.6	16.4	26.0
7. (DK/Refuse)	0.8	2.6	4.1	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
D5. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?				
1. Yes	41.7%	9.0%	5.6%	34.8%
2. No	57.9	89.7	91.7	64.5
3. (DK/Refuse)	0.3	1.3	2.8	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
D6. Zip Code				
1. Northeast (zips 010 - 219)	16.0%	24.1%	26.0%	17.8%
2. Southeast (zips 220 - 427)	21.7	24.1	20.5	21.8
3. Mid-West (zips 430 - 567, 600 - 658)	15.4	20.3	17.8	16.1
4. Central (zips 570 - 599, 660 - 898)	22.0	19.0	23.3	21.8
5. West (zips 900 - 998)	24.9	24.9	12.3	22.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
D7. Would you describe the primary or majority of your business locations as in areas that are?				
1. Downtown/Major city	16.3%	19.2%	15.3%	16.5%
2. Urban	11.3	11.5	18.1	12.0
3. Inner suburban	14.0	12.8	16.7	14.1
4. Outer suburban	10.0	9.0	9.7	9.9
5. Small town	30.0	232.1	25.0	29.7
6. Rural	16.3	11.5	11.1	15.3
7. (DK/Refuse)	2.0	3.9	4.2	2.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

D8. For the last calendar year, what were the gross sales for your business?

1. Less than \$250,000	36.2%	6.3%	2.8%	29.9%
2. \$250,000 - \$499,999	12.5	10.1	2.8	11.3
3. \$500,000 - \$999,999	9.2	16.5	5.6	9.6
4. \$1 million - \$4.9 million	8.0	30.4	27.8	12.3
5. \$5 million - \$9.9 million	1.5	3.8	11.1	2.7
6. \$10 million or higher	0.8	1.3	8.3	1.6
7. (DK/Refuse)	31.7	31.7	41.6	32.6
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D9. Over the last two years, how have your real volume sales changed?

1. Increased by 30 percent or more	2.5%	3.8%	4.2%	2.8%
2. Increased by 20-29 percent	4.5	5.1	9.7	5.1
3. Increased by 10-19 percent	15.4	16.5	19.4	15.9
4. Increased by less than 10 percent	6.9	16.5	18.1	8.9
5. Decreased by less than 10 percent	10.4	8.9	6.9	9.9
6. Decreased by 10 percent or more	17.2	8.9	6.9	15.4
7. Stayed about the same	30.6	24.1	15.3	28.4
8. (DK/Refuse)	12.5	16.5	19.5	13.6
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
D10. What is your primary business activity or function?				
1. Administrative and Support	1.5%	1.2%	—%	1.3%
2. Agriculture, Forestry, Fishing and Hunting	7.2	4.9	1.4	6.4
3. Arts, Entertainment, and Recreation	4.0	2.5	1.4	3.6
4. Construction	11.4	8.6	14.1	11.3
5. Educational Services	1.2	6.2	2.8	1.9
6. Finance and Insurance	3.2	3.7	1.4	3.1
7. Food Services and Accommodation	6.0	13.6	18.3	8.0
8. Health Care and Social Assistance	5.5	7.4	12.7	6.4
9. Information	0.8	2.5	1.4	1.1
10. Management of Companies and Enterprises	1.5	—	—	1.2
11. Manufacturing	4.3	4.9	11.3	5.1
12. Mining	0.3	—	1.4	0.4
13. Professional, Scientific, and Technical Services	10.9	7.4	7.0	10.1
14. Real Estate Rental and Leasing	3.7	1.2	1.4	3.2
15. Retail Trade	14.5	13.6	7.0	13.7
16. Transportation and Warehousing	4.8	2.5	2.8	4.4
17. Utilities	0.5	—	—	0.4
18. Waste Management and Remediation Services	0.5	2.5	1.4	0.8
19. Wholesale Trade	2.5	1.2	1.4	2.3
20. Other Services	15.7	14.8	12.7	15.3
21. Other	—	1.2	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D11. Gender

1. Male	62.9%	58.2%	58.9%	62.1%
2. Female	37.1	41.8	41.1	37.9
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

Table Notes

1. All percentages appearing are based on **weighted** data.
2. All “Ns” appearing are based on **unweighted** data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ()s around an answer indicate a volunteered response.

WARNING – When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.

Data Collection Methods

The data for this survey report were collected for the NFIB Research Foundation by Susquehanna Polling and Research. The interviews for this edition of the Poll were conducted between October 17 – November 28, 2016 from a sample of small employers. “Small employer” was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation’s direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design was employed to compensate for the

highly skewed distribution of small-business owners by employee size of firm (Table A1). Almost 60 percent of employers in the United States employ just one to four people meaning that a random sample would yield comparatively few larger small employers to interview. Since size within the small business population is often an important differentiating variable, it is important that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small-business owners were arbitrary but adequate to allow independent examination of the 10-19 and 20-249 employee size classes as well as the 1-9 employee size group.

TABLE A1
SAMPLE COMPOSITION UNDER VARYING SCENARIOS

Employee Size of Firm	Expected from random sample			Completed interviews
1-9	599	79.9%	350	46.7%
10-19	79	10.5%	200	26.7%
20-249	72	9.6%	200	26.7%

* Sample universe developed from the U.S. Small Business Administration’s Office of Advocacy data on Statistics of U.S. Businesses.

The Sponsors

The **NFIB Research Center** is a small business oriented research organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, D.C., the Center was established in 1980 to explore the policy related problems small business owners encounter. It's periodic reports include ***Small Business Economic Trends***, ***Small Business Problems and Priorities***, and the ***National Small Business Poll*** series. The Center also produced ad hoc reports on issues of concern to small-business owners including regulatory analyses of selected proposed regulations through its Business Size Insight Module (BSIM).



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