



National Small Business Poll

NFIB National

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Small Business Poll

Business Activity in the Home

NFIB National Small Business Poll

The *National Small Business Poll* is a series of regularly published survey reports based on data collected from national samples of small business employers. Eight reports are produced annually with the initial volume 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 treats 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 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.

Current individual reports are publicly accessible on the NFIB Web site (www.nfib.com/research) without charge. They are also available at www.411smallbusinessfacts.com. The 411 site also allows the user to search the entire data base. It searches all of the questions in all of the individual Polls with a user-friendly Google-type, key word, topic, or Poll sort facility.

Published (printed) reports can be obtained at \$15 per copy or by subscription (\$100 annually) by writing the *National Small Business Poll*, NFIB Research Foundation, 1201 "F" Street, NW, Suite 200, Washington, DC 20004. The micro-data and supporting documentation are also available for those wishing to conduct further analysis. Academic researchers using these data for public informational purposes, e.g., published articles or public presentations, and NFIB members can obtain them for \$20 per set. The charge for others is \$1,000 per set.

NFIB National
Small Business
Poll



*Business Activity in
the Home*

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National Small Business Poll



Business Activity in the Home

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Executive Summary

- About one in four (22%) employing businesses is principally located in the home or an associated structure and another 25 percent have a home office in their residence.
- Home-based businesses overwhelmingly employ fewer than 10 people. The principal location for 27 percent of businesses employing fewer than 10 is the home compared to 4 percent for those employing 20 or more.
- There is no age difference between those located primarily in the home and those located elsewhere. However, home-based businesses are more likely to be in construction, agricultural services, transportation and administrative support services. They are less likely to be in retail, hospitality, and personal services.
- Home-based businesses appear to blend into their neighborhoods remarkably well. Half (52%) have no employees (other than members of the household) who spend a majority of their time working at the home location of the business and another 30 percent have only one. Three of four do not have customers or vendors routinely visit them. Over the last three years, 96 percent report no complaint from neighbors about problems they think the business caused.
- Home-based businesses typically use a limited amount of space, a median of 250 square feet and 80 percent with just one or two rooms constituting the entire business premises.
- Zoning or other regulations do not appear to be a problem of any consequence for those currently operating their business out of the home. This excludes potential small business owners who may have been impeded from starting by zoning and other regulations.
- Fewer than half (46%) take the portion of their home used for business purposes as a deduction from their federal income tax, the most frequently cited reason for doing so being that the deduction is too complicated to make it worthwhile.
- Even though the primary location of their business is outside the home, small business owners with a home office typically use it every day (54%). Another 36 percent use it a few times a week.
- Home offices are small, usually a single room (92%) with a median of about 175 square feet of space. Ninety-one (91) percent have business equipment, such as a desktop computer, fax, or copier, located there.
- Home offices are private. Employees, customers or vendors routinely enter them in just 4 percent of cases. In 28 percent of cases, those offices occasionally serve as an extra bedroom, play room or personal activity room of some nature.
- Just 26 percent deduct their home office from their federal income taxes. The primary reasons that the remainder do not take the deduction are: too complicated to make it worthwhile; never thought about it; tax advisor cautioned against it; and the home office does not legally qualify.

Business Activity in the Home

The boundary separating the owner of a business and the business per se is often indistinct. One is an extension of the other. Nowhere is that clearer than in the amount of business activity occurring in the home, activity typically outside the commercial and industrial territory that constitutes the traditional business districts of the country. This activity falls into two classes: actual business operations located principally in the home or an associated structure and home offices where small employers can continue to work after they leave the firm's primary site. Because it contributes relatively little to GDP, business activity generated from the home is frequently overlooked. Still, it provides a low overhead and an efficient means of operation for many, including those transitioning from paid employment to business ownership, as well as the social advantages of keeping the family in greater proximity. Thus this issue of the *National Small Business Poll* is devoted to Business Activity in the Home.

Home-Based Businesses

About one in four (22%) employing businesses operates primarily out of the home, including associated structures such as a garage or a barn (Q#1). Three of four of them (77%) function from the residence itself while 16 percent do from a free-standing structure outside (Q#1a). The overwhelming majority of these are among the smallest of small businesses, with 27 percent of employing firms with fewer than 10 people operating out of the home compared to 6 percent of those employing 10 – 19 people and 4 percent employing 20 people or more.

Most of these businesses are also physically small, occupying modest square footage and rooms. The median space occupied by the business is about 250 square feet, the size of a large bedroom in a middle class home (Q#1b). At the extremes, 17 percent have less than 100 square feet while another 8 percent have 2,500 square feet or more.

Almost half (48%) consist of a single room (Q#1c). Eighty (80) percent use just one or two. Nine percent have four or more rooms in their home-based business. These

more spacious businesses constitute about 2 percent of the small employer population.

A popular impression is that businesses often begin in the home as a means to cut costs and transition from a job to the business. That clearly does occur, but many home-based businesses are of long standing. For example, 15 percent of all employing home-based businesses have used their residence as their primary business location for more than 30 years (Q#8). Still, there is no difference in age of businesses located primarily in the home and those that are not; both are average about 17 years.

The two groups do tend to operate in different industries, however. Home-based businesses are substantially more likely to operate on a proportional basis in the agricultural services, construction, transportation, professional services and administrative services industries. On an absolute basis, they appear more numerous in the agricultural services and on a par in construction and administrative services. Home-based, employing businesses are less common in retail, hospitality, and personal services.

a. In the Neighborhood

Traffic to and from these businesses appears light. Their employees typically work off-site and comparatively few have customers and/or vendors as routine visitors. Fifty-two (52) percent have no one other than members of the household routinely spending a majority of their time at the business and another 30 percent have only one (Q#6a). Just 5 percent have four or more. One in four (25%) have customers and or vendors routinely visit them, an example being a solo dentist working out of the home with patients coming and going.

Because of their location, typically in residential neighborhoods, business signage is not encouraged. Just 18 percent have a sign or other identifying business markings on the entryway to or on the business premises (Q#7).

Businesses located in the home try to keep a low profile if for no other reason than keeping the neighbors happy. They seem to be successful, at least as it affects neighbor response. Ninety-six (96) percent have not had a single complaint in the last three years from the neighbors about any problem the neighbors think the business causes (Q#5). One percent field complaints frequently. This assessment is, of course, from the business perspective and may not capture silent neighbors' irritations, but the relationship between business and neighborhood typically appears satisfactory.

b. Governmental Concerns

Zoning is often considered an impediment to establishing a business in the home, but that is not the experience of those now operating one. Fifteen (15) percent did have to obtain special zoning or land use permission to operate their business on the premises, but 83 percent did not (Q#3). Similarly, 96 percent encounter no legal or regulatory problems operating their business from the home (Q#4). These data only include small employers who successfully started, not those who may have been discouraged or terminated because of them. Still, it appears that local authorities are often reasonable about impeding businesses that start and operate from the home.

Federal tax law allows business owners to deduct business expenses. The costs of a business location, such as rent or a mortgage,

heating, lighting, maintenance, are items that can be deducted. But the deduction becomes more complicated when the business is located in the home because while the share of expenses attributable to the business can be deducted, the share of expenses attributable to the residence cannot. This separation creates issues of definition, allocation, and time. It further creates an accounting recapture problem if the home is sold.

Though the business deduction for space used in the business is perfectly legitimate, only 46 percent take the deduction; 51 percent do not (Q#2). The obvious follow-up question is why, why should nearly half eligible to take a deduction fail to do so. Though the number of cases is small (N=50), two responses appear more frequently than do others. Twenty-four (24) percent did not take the deduction because it was too complicated to make it worthwhile (Q#2a). Another 23 percent did not take it because their tax advisor cautioned against it. The reasons their tax advisors cautioned them are unknown, but complexity compared to the benefit and the potential of triggering an audit are two. The complexity rationale makes sense. If one assumes 250 square feet, the median of a home-based business, and an average home of 2,500 square feet, pro-rated business expenses are only 10 percent of the cost of a mortgage payment, heating, lighting and maintenance. That may be more trouble than it is worth.

Home Offices

Thirty-three (33) percent of small business owners whose businesses are not based in the home have a home office (Q#9). That constitutes about one-quarter of the small employer population. A non-mutually exclusive 3 percent have a home office in a secondary residence (Q#9a).

Home offices are somewhat smaller than home-based businesses, many of the latter consisting of a single room. Half (50%) of home offices are between 100 and 250 square feet and another 26 percent are less than 100 square feet (Q#13). The typical size of a home office therefore resembles that of a bedroom in a middle class home, not a very big bedroom at that. Just 4 percent have a home office that is larger than 500 square feet. These offices are almost always a single room. Ninety-two (92) percent of home

offices consist of a single room (Q#13a). Home office suites, defined as three rooms or more, are occupied by just 3 percent of this group or 2 percent of the population.

Most home offices are used considerably. Fifty-four (54) percent of small employers use their home office every day while another 36 percent use it a few times a week (Q#10). Just 9 percent use it only a few times a month.

Home offices of small business owners appear to be used for business purposes. For example, 91 percent of home offices contain business equipment, such as a land line telephone, a desktop computer, fax or copy machine (Q#14). Moreover, in 71 percent of cases these home offices are exclusively home offices (Q#12). In 28 percent of cases, home offices occasionally double up as an extra bedroom, playroom, hobby room or personal activity rooms. These offices are typically off-limits to business partners. Only 4 percent with a home office indicate that customers, employees, and/or vendors enter it routinely (Q#11). The bulk of interaction with these three groups occurs elsewhere, presumably at the business itself.

Home offices can be deducted as a business expense from federal (and state income taxes where they exist) as a business expense. Every jurisdiction has its own rules including the federal requirement that the home office must be used exclusively for business purposes. Twenty-six (26) percent of those with a home office or 8 percent of the small employer population take the home office deduction; 69 percent do not (Q#15). The most frequently cited reason (28%) that they do not is that the deduction is too complicated to make it worthwhile, the same rationale most frequently used by those not taking a deduction of their home-based business (Q#15a). However, the second most frequently cited rationale for not taking the deduction is that they were unaware of it (21%) followed by tax advisor cautioned against it (17%) and the home office does not legally qualify for the deduction (15%).

Final Comments

It is important to remember that the data and discussion presented above apply only to businesses employing people other than their owners. They do not consider indi-

viduals who work full-time for themselves or who own and manage part-time operations. Including these two groups is likely to change the overall profile developed above, as combined they constitute a different population that in numerical terms swamps the population of employing business examined.

Home-based business arrangements whether in terms of primary location or home offices appear to work well. They leverage resources for those affected, allowing their owners to minimize costs which would otherwise eat into profit. They permit small business owners to remain engaged even when not on their firm's principal physical premises, a form of telecommuting extensively employed long before the term became popular. And, the downside appears minimal. Virtually all owners think conflicts rarely arise due to business activity in homes, though neighbors and regulators may be less positive. However, the common sense informal rule governing most home-based activity, that is, 'if it does not bother the neighbors, it's probably just fine,' seems largely followed.

One policy issue emerges – the complexity of the home business or office tax deduction prevents business owners from writing off legitimate business expenses. Telling is the large percentage who fail to take the deduction because their tax advisors caution them against it. That is an indictment of the applicable tax provisions and their implementation.

Business Activity in the Home

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

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
I. Is this business operated primarily from the home, including any associated structure such as a garage or a barn?				
1. Yes	26.9%	5.8%	3.9%	22.4%
2. No	73.1	94.2	96.1	77.6
3. DK/Refuse	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750
Ia. Is the business in the residence, or in a free-standing structure outside, such as an unattached garage, barn, shed, or guest house?				
1. Residence	76.2%	—%	—%	76.5%
2. Unattached	15.7	—	—	15.6
3. DK/Refuse	9.2	—	—	7.8
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116
Ib. Approximately how many square feet of space does the business portion occupy?				
1. < 100 sq. ft.	16.4%	—%	—%	16.7%
2. 100 – 249 sq. ft.	28.1	—	—	27.8
3. 250 – 499 sq. ft.	20.5	—	—	20.6
4. 500 – 999 sq. ft.	11.7	—	—	11.7
5. 1,000 – 2,499 sq. ft.	8.8	—	—	8.9
6. 2,500 sq. ft. or more	7.6	—	—	7.8
7. DK/Refuse	7.0	—	—	6.7
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116
Ic. How many rooms are in the business portion?				
1. One room	47.1%	—%	—%	47.8%
2. Two rooms	32.4	—	—	32.0
3. Three rooms	10.6	—	—	10.7
4. Four or more rooms	9.4	—	—	9.0
5. DK/Refuse	0.6	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116

2. Do you deduct the portion of your home used for your business as a business expense for federal income tax purposes? (If “Owner” of the business in Q#D.)

1. Yes	46.1%	—%	—%	45.6%
2. No	50.4	—	—	51.0
3. DK/Refuse	3.5	—	—	3.4
Total	100.0%	100.0%	100.0%	100.0%
N	78	10	8	96

2a. Why don’t you deduct the business portion? Is it because it’s?: (If “No” in Q#2.)

1. Too complicated to make worthwhile	—%	—%	—%	24.3%
2. Triggers a tax audit	—	—	—	9.5
3. Leaves adverse consequences for selling the house	—	—	—	5.4
4. Never thought about it	—	—	—	12.2
5. Tax advisor cautioned against it	—	—	—	23.0
6. Inconvenient\ No benefit	—	—	—	6.8
7. Other	—	—	—	14.9
8. DK/Refuse	—	—	—	4.1
Total	100.0%	100.0%	100.0%	100.0%
N	38	6	6	50

3. Did you or do you require special zoning or land use permission to operate your business on the premises?

1. Yes	15.2%	—%	—%	15.1%
2. No	83.0	—	—	83.2
3. DK/Refuse	1.8	—	—	1.7
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116

4. Has operating your business out of your home created severe, moderate, minimal, or no legal and regulatory problems for you?

1. Severe problems	—%	—%	—%	—%
2. Moderate problems	1.2	—	—	1.1
3. Minimal problems	1.8	—	—	1.7
4. No problems	95.9	—	—	96.1
5. DK/Refuse	1.2	—	—	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116

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

5. In the last three years have your neighbors complained to you frequently, occasionally, infrequently or never about problems that they think your business causes them?

1. Frequently	1.2%	—%	—%	1.1%
2. Occasionally	0.6	—	—	0.6
3. Infrequently	2.3	—	—	2.2
4. Never	94.7	—	—	96.0
5. DK/Refuse	1.2	—	—	1.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116

6. Do customers and vendors routinely enter your business?

1. Yes	25.1%	—%	—%	24.6%
2. No	74.9	—	—	75.4
3. DK/Refuse	—	—	—	—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116

6a. How many employees, not counting yourself or others in your household, routinely spend the majority of their time at this business location?

1. None	50.6%	—%	—%	51.7%
2. One	30.0	—	—	29.8
3. Two	10.0	—	—	9.6
4. Three	2.4	—	—	2.2
5. Four or more	5.3	—	—	5.0
6. DK/Refuse	1.8	—	—	1.7
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116

7. Do you have a business sign or other identifying business markings on the entryway to, or on the business premises?

1. Yes	18.1%	—%	—%	18.3%
2. No	79.5	—	—	79.4
3. DK/Refuse	2.3	—	—	2.2
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116

8. About how many years has your residence been the primary location for this business?

1. < 3 years	9.6%	—%	—%	9.5%
2. 3 – 5 years	28.1	—	—	28.4
3. 6 – 10 years	13.8	—	—	14.2
4. 11 – 20 years	24.0	—	—	23.7
5. 21 – 30 years	9.0	—	—	8.9
6. 31 years or more	14.9	—	—	14.7
7. DK/Refuse	0.6	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	94	13	9	116

9. Do you have a home office that you use for business located in your primary residence? (If “No” or “DK” in Q#1.)

1. Yes	36.2%	21.3%	25.7%	33.0%
2. No	63.6	78.8	74.3	66.8
3. DK/Refuse	0.2	—	—	0.2
Total	100.0%	100.0%	100.0%	100.0%
N	256	187	191	634

9a. Do you have a home office that you use for business located in a secondary residence?

1. Yes	3.4%	2.5%	2.7%	3.2%
2. No	96.6	97.5	97.3	96.8
3. DK/Refuse	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	256	187	191	634

10. How often do you use your home office?

1. Every day	55.0%	—%	45.0%	53.6%
2. A few times a week	35.7	—	40.0	36.4
3. A few times a month	8.2	—	15.0	9.1
4. DK/Refuse	1.2	—	—	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	89	42	51	182

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

11. Do employees, customers, or vendors enter that office to see you on a routine basis?

1. Yes	3.5%	—%	—%	4.3%
2. No	96.5	—	100.0	95.7
3. DK/Refuse	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	89	42	51	182

12. Does your home office occasionally double-up as an extra bedroom, play room, hobby room or a personal activity room of some nature?

1. Yes	28.7%	—%	25.0%	27.8%
2. No	70.2	—	75.0	71.3
3. DK/Refuse	1.2	—	—	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	89	42	51	182

13. Approximately how many square feet of space does your home office occupy?

1. < 100 sq. ft.	23.3%	—%	31.6%	25.5%
2. 100 – 249 sq. ft.	50.0	—	57.9	49.5
3. 250 – 499 sq. ft.	12.2	—	10.5	13.0
4. 500 – 999 sq. ft.	5.2	—	—	4.3
5. 1,000 sq. ft. or more	—	—	—	—
6. DK/Refuse	9.3	—	—	7.7
Total	100.0%	100.0%	100.0%	100.0%
N	89	42	51	182

13a. How many rooms are in your home office?

1. One	91.8%	—%	90.0%	91.8%
2. Two	3.5	—	5.0	3.8
3. Three or more	2.4	—	5.0	2.5
4. DK/Refuse	2.4	—	—	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	89	42	51	182

14. Do you have business equipment such as a land-line telephone, desktop computer, fax, or copier located there?

1. Yes	89.5%	—%	100.0%	90.9%
2. No	10.5	—	—	9.1
3. DK/Refuse	1.2	—	—	—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	89	42	51	182

15. Do you deduct your home office as a business expense for federal income tax purposes?

1. Yes	25.6%	—%	25.0%	25.7%
2. No	68.0	—	75.0	68.6
3. DK/Refuse	6.4	—	—	5.7
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	89	42	51	182

15a. Why don't you deduct the business portion? Is it because it's?: (If "No" in Q#15.)

1. Too complicated to make worthwhile	27.8%	—%	—%	27.7%
2. Triggers a tax audit	2.6	—	—	3.5
3. Leaves adverse consequences for selling the house	1.7	—	—	2.1
4. Never thought about it	22.6	—	—	20.6
5. Tax advisor cautioned against it	16.5	—	—	17.0
6. Doesn't legally qualify as a home office	13.9	—	—	14.9
7. No benefit/Inconvenient	3.5	—	—	4.3
8. Other	7.8	—	—	6.4
9. DK/Refuse	3.5	—	—	3.5
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	61	27	38	126

Demographics

D1. Which best describes your position in the business?

1. Owner/Manager	88.7%	90.8%	83.1%	88.4%
2. Owner, but not manager	7.1	4.6	10.4	7.1
3. Manager, but not owner	4.2	4.6	6.5	4.5
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D2. Is your primary business activity: (NAICs code)

1. Agriculture, forestry, fishing	3.3%	—%	4.0%	3.0%
2. Construction	9.6	12.0	10.7	10.0
3. Manufacturing, mining	9.0	10.8	13.3	9.7
4. Wholesale trade	6.6	6.0	12.0	7.1
5. Retail trade	17.8	21.7	20.0	17.6
6. Transportation and warehousing	2.4	2.4	2.7	2.4
7. Information	1.9	1.2	—	1.6
8. Finance and insurance	5.0	1.2	4.0	4.5
9. Real estate and rental/leasing	3.2	3.6	1.3	3.0
10. Professional/scientific/ technical services	16.6	7.2	13.3	15.3
11. Admin. support/waste management services	4.9	3.6	2.7	4.5
12. Educational services	—	1.2	1.3	0.3
13. Health care and social assistance	4.6	6.0	5.3	4.8
14. Arts, entertainment or recreation	1.1	—	—	0.9
15. Accommodations or food service	3.8	14.5	12.0	5.7
16. Other service, incl. repair, personal service	10.1	8.4	5.3	9.5
17. Other	0.2	—	—	0.1
18. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D3. Over the last two years, have your real volume sales?:

1. Increased by 30 percent or more	11.5%	14.0%	17.9%	12.4%
2. Increased by 20 to 29 percent	13.8	10.5	16.7	13.7
3. Increased by 10 to 19 percent	20.9	24.4	21.8	21.3
4. Increased by < 10 percent	16.8	20.9	16.7	17.2
5. (No change)	4.2	1.2	2.6	3.7
6. Decreased by < 10 percent	7.4	7.0	7.7	7.4
7. Decreased by 10 percent or more	20.7	15.1	14.1	19.5
8. (DK/Refuse)	4.8	7.0	2.6	4.8
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D4. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?

1. Yes	27.5%	8.3%	3.9%	23.3%
2. No	71.4	89.3	93.5	75.4
3. (DK/Refuse)	1.1	2.4	2.6	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	201	753

D5. How long have you operated this business?

1. < 6 years	25.6%	16.1%	14.3%	23.5%
2. 6 – 10 years	17.9	19.5	16.9	18.0
3. 11 – 20 years	22.9	28.7	26.0	23.8
4. 21 – 30 years	16.2	19.5	22.1	17.1
5. 31+ years	15.5	14.9	18.2	15.7
6. (DK/Refuse)	1.9	1.1	2.6	1.9
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

D6. What is your highest level of formal education?

1. < H.S.	1.9%	—%	2.6%	1.8%
2. H.S. diploma/GED	22.2	19.8	13.0	21.0
3. Some college or associate's degree	20.8	23.3	18.2	20.8
4. Vocational or technical school degree	2.4	2.3	2.6	2.4
5. College diploma	34.0	34.9	40.3	34.7
6. Advanced or professional degree	17.3	17.4	22.1	17.8
7. (DK/Refuse)	1.6	2.3	1.3	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D7. Please tell me your age

1. < 25 years	0.2%	—%	—%	0.1%
2. 25 – 34 years	5.8	5.7	3.8	5.6
3. 35 – 44 years	18.1	17.2	14.1	17.6
4. 45 – 54 years	31.1	29.9	35.9	31.5
5. 55 – 64 years	25.3	32.2	28.2	26.3
6. 65+ years	17.3	10.3	14.1	16.2
7. (Refuse)	2.2	4.6	3.8	2.6
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D8. What is the zip code of your business?

1. East (zips 010-219)	16.0%	19.5%	19.9%	16.8%
2. South (zips 220-427)	21.1	24.1	15.8	20.9
3. Mid-West (zips 430-567, 600-658)	19.7	25.3	18.4	20.2
4. Central (zips 570-599, 660-898)	23.4	17.2	23.7	22.8
5. West (zips 900-999)	17.3	11.5	21.1	17.0
6. (DK/Refuse)	2.5	2.3	1.3	2.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D9. Urbanization (Derived from zip code.)

1. Highly Urban	13.9%	14.0%	10.4%	13.5%
2. Urban	17.6	18.6	26.0	18.5
3. Fringe Urban	19.8	16.3	18.2	19.3
4. Small Cities/Towns	19.8	24.4	20.8	20.4
5. Rural	21.7	22.1	18.2	21.4
6. (Not Known)	7.1	4.7	6.5	6.8
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D10. Compared to your competitors over the last three years, do you think the overall performance of your business in terms of sales and net profits makes it a?:

1. High performer	16.7%	20.9%	31.2%	18.5%
2. Somewhat high performer	20.2	25.6	27.3	21.4
3. Moderate performer	47.7	39.5	32.5	45.4
4. Somewhat low performer	3.1	2.3	2.6	3.0
5. Low performer	5.2	4.7	2.6	4.9
6. (Haven't been in business three years)	1.4	—	—	1.1
7. (DK/Refuse)	5.7	7.0	3.9	5.8
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	200	750

D11. Sex

1. Male	82.2%	84.9%	88.3%	83.1%
2. Female	17.8	15.1	11.7	16.9
<hr/>				
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 the executive interviewing group of The Gallup Organization. The interviews for this edition of the *Poll* were conducted between July 21 to August 20 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 is typically 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 are 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*		Obtained from Stratified Random Sample			
	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	350	46
10-19	82	11	200	27	200	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	750	100

* Sample universe developed from the Bureau of the Census (2002 data) and published by the Office of Advocacy at the Small Business Administration.

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The **NFIB Research Foundation** is a small business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy-related problems small business owners encounter. Its periodic reports include *Small Business Economic Trends*, *Small Business Problems and Priorities*, and now the *National Small Business Poll*. The Foundation also publishes ad hoc reports on issues of concern to small business owners.



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