



National Small Business Poll

NEIB National Small Business Poll

Volume 7, Issue 7
2007

Finance Questions

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. 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. It must be emphasized that these data sets do NOT contain information that reveals the identity of any respondent. Custom cross-tabulations will be conducted at cost only for NFIB members on a time available basis. Individuals wishing to obtain a data set(s) should write the *Poll* at the above address identifying the prospective use of the set and the specific set desired.

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Table of Contents

Executive Summary	1
Finance Questions	2
Tables	8
Data Collection Methods	20

Executive Summary

- Eight percent of small employers have been a victim of identity theft in the last three years. More than one in eight (14%) have encountered the problem directly when including those who think that they have been subject to a serious, but unsuccessful, identity theft attempt.
- Forty (40) percent of small employers have checked their firms' credit report in the last three years to determine the report's accuracy. Twenty-four (24) percent who checked theirs complained to a credit bureau or credit reporting company about it.
- Often, particularly in new and very small businesses, the owner's personal credit report is effectively the business's credit report. Sixty-four (64) percent of small employers checked their personal credit report within the last three years. One-quarter who checked complained about its accuracy. Thirty-four (34) percent checked both personal and business reports and 29 percent checked neither.
- Credit scoring is common in small-business lending. Forty-two (42) percent of small employers claim to be very familiar with credit scoring and another 37 percent claim to be somewhat familiar. However, just 57 percent of those at least somewhat familiar with credit scoring think that their preferred financial institution uses credit scoring to make small-business loans.
- Twenty-four (24) percent of small-business owners were required to calculate the Alternative Minimum Tax (AMT) for their last personal federal income tax return and another 22 percent did not know if they had to or not. The large number that do not know is likely a function of paying tax professionals to prepare their returns. Of those who calculated the AMT, 53 percent paid it.
- The money small-business owners take out of their business in the form of salary, profit, dividends, etc., constitutes 95 percent or more of their annual income in 72 percent of cases. The amount they take out constitutes 75 percent or more of their household income in 78 percent of cases.
- While a slight majority (51%) of small businesses has a sole owner who obtains income from the business, another 34 percent have two owners who do. Nine percent have three or more owners who draw income from it. Four percent of small businesses provide no income of any type to any owner. One-third (32%) of small-business owners have other adult members of the household who also draw income from the business.
- The median amount an owner of a small employing business draws from his/her firm in a year is about \$72,500. At the extremes, 6 percent earn less than \$12,500 and 5 percent earn \$250,000 or more.
- Forty-six (46) percent of small-business owners obtain 95 percent or more of their entire household income from a business. The median income of a household headed by a small-business owner is about \$100,000.
- Eleven (11) percent of small employers provide their employees some type of financial education beyond a basic understanding of employee benefits. Another 9 percent expect to do so in the future.

Finance Questions

Many small businesses provide their owner(s) a handsome living; other businesses provide their owner(s) a minimal living; and, still others saddle theirs with debt or financial obligations that extend long after the business and the owner(s) have divorced. Most fall between the extremes. But whatever living a business provides, personal financial considerations are an important influence on most basic business decisions. While they are far from the only influence, or even the most important influence, the responsibility of the owner(s) to his/her family and future requires that finances never be out-of-mind. As a result, this issue of the *National Small Business Poll* focuses on Finance Questions.

Identity Theft

Identity theft continues to be a concern for many Americans, including small-business owners. However, differing from most of the American public, identity theft is not just a personal matter for small-business owners. It extends beyond personal affairs -- bad enough -- directly into their livelihoods and that of their employees. The impact of the problem, therefore, appears to compound negative effects when small-business owners are the victims.

Eight percent of small employers report that they have been a victim of identity theft in the last three years (Q#4). That translates into 2 to 3 percent a year. But of the 92 percent who have not experienced identity theft in the last three years, 7 percent have good reason to believe that someone has tried to steal theirs (Q#4b). Thus, more than one in eight has personally encountered identity theft issues in the last three years. The number is possibly, even likely, larger given that some owners may not have been aware of an attempted theft.

The damage caused by identity theft logically will be less if the victim catches the problem immediately. Twenty-four (24) percent who have had their identity stolen in the last three years claim to have discovered it in a day or two (Q#4a). Another 16 percent discovered it in three to seven days. However, it took more than a week,

though less than a month, for 36 percent more to realize the theft had occurred. Another 19 percent discovered it only after 30 days or more.

Credit Reports

Credit reports contain vital financial information that helps lenders evaluate loan applications. When loans are credit scored, credit reports virtually dictate the loan decision as well as the terms available. That makes credit reports critical to most small-business owners who borrow or use lines-of-credit, including receipt of product prior to payment. Small-business owners use credit reports to evaluate others as well. Those who extend credit periodically use credit reports to gauge the credit-worthiness of their customers. In addition, some business people interested in doing business with another will check the latter's credit report to determine the reliability and financial responsibility of the potential partner. They also may use them as a resource when exploring a potential employee's background. The use of credit reports in business, in sum, is ubiquitous and influences important decisions. Given the on-going volume of credit-based financial transactions that occur daily, errors are inevitable. Those errors can seriously misrepresent the credit-worthiness of affected entities. So, it is a good practice for a small-business owner or

manager to periodically review the firm's credit reports to ensure their accuracy whether the firm currently requires credit or not. The same is true of personal credit reports, not only because small-business owners as individuals have personal credit reports, but also because personal credit reports sometimes substitute for and/or append business credit reports.

a. Business Credit Reports

Forty (40) percent of small employers checked their firm's credit report at least once in the last three years (Q#2). Fifty-nine (59) percent did not. If a threat of identity theft or good practice does not stimulate an owner to check his credit report(s), then anticipation of a loan application might. From another *Poll* in this series (Evaluating Banks), we know that 52 percent of small employers borrowed or tried to borrow in the last three years. The two data sets from which these numbers come unfortunately cannot be directly matched. But, if we assume only potential borrowers checked their firm's credit record prior to a loan application, over 25 percent more would be applying for a loan than checking their credit report.

The critical issue is whether those credit reports are accurate. Twenty-four (24) percent of small employers who checked their firm's credit report complained to a credit bureau or credit reporting company that theirs was inaccurate or that there were incorrect entries in it (Q#2a). Seventy-six (76) percent say theirs was fine. Thus, about 9 percent of all small employers or about one in 10 complained to a credit reporting agency(ies) that their credit report was inaccurate in some way.

Owners complained to all of the major credit reporting agencies. Equifax received the most (34%), followed by Experien (23%), Dun & Bradstreet (19%), and TransUnion (12%) (Q#2a1). Twenty-two (22) percent registered a complaint with another agency or bureau and 23 percent did not know to whom they complained or refused to respond. Several owners obviously complained to more than one.

The survey asked those who complained about their firm's credit report whether their complaint(s) had been satisfied. There were too few respondents to the question to report results.

Most of the group who checked their firm's credit report in the last three years and did not complain were very satisfied (55%) with the accuracy of theirs (Q#2a2). Another 37 percent were satisfied. That leaves 5 percent who were dissatisfied and another 2 percent who were very dissatisfied, but did not complain. It is not clear why that 7 percent did not complain to the appropriate credit reporting agency(ies), though it is possible they did not like its contents rather than its veracity.

b. Personal Credit Reports

The small-business owner is for all intents and purposes the business, particularly in the cases of new and very small businesses. Since a lender cannot separate them easily or reliably, a personal credit report often substitutes for a business credit report. Therefore, personal credit reports take on an importance not necessarily appreciated by managers of smaller business entities.

Sixty-four (64) percent of small employers checked their personal credit report(s) in the last three years to determine their accuracy (Q#3). That number is about 50 percent higher than checked their business's credit report. The data presented here do not disclose whether the business and personal reports were actually the same report or whether they were different. However, 34 percent indicate that they checked both (possibly the same document) while 30 percent indicate that they checked neither. Still, 29 percent checked their personal record, but not their business credit record, while 5 percent checked their business credit, but not their personal. It is likely that the business and personal reports of these latter two groups are distinct.

Twenty-five (25) percent of those who checked their personal credit record found reason to complain to a credit bureau or credit reporting company (Q#3a). That is virtually the same proportion who complained about their business's credit report(s). Of that number, the most frequent complaints (43%) were registered with Equifax (Q#3a1). Experien experienced complaints from 32 percent of the group; TransUnion experienced them from 25 percent. Eleven (11) percent identify others and 26 percent could not remember or refused to answer.

The response to small-business owner complaints varied widely, at least in terms of customer satisfaction with the response. Twenty-two (22) percent say they were very satisfied with the response to their complaint(s) (Q#3a2). Another 39 percent were satisfied with it, putting 61 percent on the positive side. However, 14 percent express dissatisfaction and 26 percent indicate that they were very dissatisfied. Forty (40) percent were, therefore, on the negative side.

Members of the group who did not complain to a credit bureau or credit reporting company were overwhelmingly satisfied that their credit records were accurate. Forty-nine (49) percent were very satisfied that the information in their personal credit record was accurate and 41 percent were satisfied (Q#3a3). The two categories combined yield 90 percent who were satisfied. However, 9 percent were not with 3 percent being very dissatisfied. Again the question arises, why did they not complain?

c. Credit Scoring

Credit scoring is a formula-driven process based on credit records that predicts the repayment likelihood of a prospective borrower. It, therefore, effectively evaluates lender risk on a particular credit applicant. Credit scoring was introduced relatively recently to evaluate loans extended to small businesses and/or their owners, particularly loans under \$50,000. Most small-business owners are now familiar with credit scoring. Forty-two (42) percent of small employers claim that they are very familiar with credit scoring and another 37 percent claim to be somewhat familiar (Q#5). That leaves about one in five (21%) who are either not too familiar or not at all familiar with credit scoring.

Large banks in particular have embraced the concept for small-business loans as a means to avoid the bureaucracy inherent in large institutions making relatively small loans. The employment of credit scoring is not always transparent to small-business owners, however. For example, of those small employers very or somewhat familiar with the term, 57 percent think their preferred financial institution uses credit scoring to make small-business loans (Q#5a). Fifteen (15) percent think their institution does not use it. But, 28 percent do not know.

If we combine those unfamiliar with credit scoring and those who do not know whether their preferred institution uses the process, 37 percent are unaware of the process used to determine their business's credit eligibility and most likely its cost. Still, as many as half have not borrowed recently meaning knowledge about credit scoring may be irrelevant to a large number.

AMT's Impact

The Alternative Minimum Tax (AMT) was enacted in 1969 as a means to force a handful of wealthy individuals and corporations who had no tax liability the prior year to pay at least some federal income tax, even if a minimal amount. Since its introduction, inflation levels have pushed the tax's threshold levels lower and lower to encompass more and more taxpayers. Upper middle income tax-payers are now often forced to calculate the tax even if, in the end, they do not have to pay it. Without change, additional taxpayers and increasingly lower income will be impacted.

Twenty-four (24) percent of small-business owners calculated the AMT during preparation of their last personal income tax return (Q#6). A tax professional handled the paperwork in a substantial share of cases. Still, the calculation was an administrative additional cost to the taxpayer. Further, 22 percent did not know if they calculated the tax. The most likely reason they did not know was because their tax professional did it for them. But, they paid to have the calculation made when they themselves did not calculate it. Fifty-five (55) percent did not have to do so.

Just over half (53%) of small-business owners who calculated the AMT, paid the tax (Q#6a). Forty-three (43) percent calculated it, but did not have to pay. Four percent did not know if they paid the tax or not. As a result, 12 to 13 percent of all small-business owners calculated and paid the AMT the last time they paid their federal personal income tax.

Small-business managers who do not own a share of the business were less likely to be forced to calculate the AMT. Thirteen (13) percent of managers calculated the AMT (not shown in the tables) though another 20 percent did not know.

An insufficient number of cases prohibited determination of how many managers actually had to pay the tax.

Business Income

The overwhelming majority of small-business owners derive their entire personal income from a single business. Seventy-two (72) percent of small-business owners obtain 95 percent or more of their total personal income from a business (the one from which they were interviewed) in the most recent year (Q#7). Effectively, the business provides their livelihood. It does not exclusively provide the livelihood for 24 percent; they have additional income sources. Four percent did not answer. Twenty-two (22) percent of those who obtain less than 95 percent of their income from the business obtain at least 75 percent from it (Q#7a). Thus, 72 percent of small-business owners earn 95 percent or more of their personal income from the business, 6 percent earn between 94 percent and 75 percent of their personal income from the business, and 17 percent earn less than 75 percent from it. The remainder (5%) chose not to answer or did not know.

The unknown issue in these data and those presented subsequently is their representativeness. Over 10 percent of survey respondents are managers of the firm, not owners. These managers have been excluded from the tabulations. But, we don't know if the owners in those firms earn more/less from the business on average than they do in non-manager operated businesses. A reasonable argument could be made either way. But even if that 10 percent is substantially different than the other 90 percent, it is not likely totals will change very much. Thus, while the following numbers should be read with caution, they are likely to be highly indicative of the entire small-business owner population.

a. Income for Multiple People

Businesses as economic entities not only often financially support several employees, but they often financially support more than one member of the household and/or more than one owner. One-third (32%) of small-businesses have adults in the household other than the interviewed owner who also draw wages and/or salaries from the busi-

ness (Q#8). The amount of that income is unknown. However, 67 percent of owners in those businesses earn more from the business than will any other adult household member working there (Q#8a). The result is that in 88 percent of cases, the respondent-owner is the person in the household who earns the most from the business. In an additional 10 percent of cases, another member of the household earns more. The outcome cannot be determined for the remaining 2 percent.

A slight majority of businesses (52%) have a single owner who receives income from the business (Q#9). Thirty-four (34) percent have two owners receiving income from it, 5 percent have three, and 4 percent have four owners or more. Four percent have no owners who receive income from it. The upshot of these data is that a business very often must generate enough earnings to provide income for multiple owners, not just one.

Typically, in businesses with more than one owner, the other owner(s) receives as much from the business as the owner-respondent. All owners have the same take in 57 percent of multiple owner firms (Q#9a). However, the shares are not equal in 42 percent of them. In 28 percent of the businesses where owner take is unequal, the owner-respondent earns more; in 11 percent, he earns less; and, in 2 percent, other owners earn more and less. The presence of equal shares appears to make no difference whether the business has two owners or more than two owners. There are several legitimate reasons for the income differences among owners that occur in a single business. The most obvious is the amount of work and/or responsibility one owner assumes compared to another (others). A second is the amount invested. A third is the output or sales generated by each owner.

b. Amount of Income

The distribution of owner income from their businesses is huge. Six percent earn less than \$12,500 (Q#10). Over 20 percent of those who receive less than 95 percent of their income from the business took out less than \$25,000. At the other end of the distribution, 5 percent earn more than \$250,000. If the 18 percent who did not respond is prorated, the percentage in the

two extreme categories rises by a percentage point each. Moreover, the pattern is not the neat bell-shaped curve of a classic random distribution. Rather, the curve's shape is relatively flat, much closer to a line than a bell-shaped curve, with the most common \$25,000 increment in the \$50,000 - \$74,999 range.

The median (half more/half less) income from an employing business is between \$62,500 and \$74,999 annually, though much closer to the higher figure than the lower one. These totals contain all earnings forms, including salary, dividends, draw, and repatriated profit. Those numbers compare to a median income for full-time workers aged 50 - 54 (median age of owners) of about \$46,000 (Bureau of the Census, *Current Population Survey*).

A spouse and/or a second business often add to the household income of a business owner. Forty-six (46) percent of owners indicate that 95 percent or more of their entire household income comes from a single business (Q#11). In these cases, the business is for all intents and purposes the sole source of income for the business-owner's household. In contrast, half (50%) of business owners derive more than five percent of their household income from sources other than the business.

Many small-business owners have substantial income from a source(s) other than their businesses. Business-owner households with earnings in addition to the business have a median household income of \$100,000 - \$124,999 (Q#13), about \$40,000 (\$112,500 vs. \$72,500) higher than those who derive their household income from the business. That \$40,000 is just about the median for a full-time worker in their 50s. Less than 1 percent of these households have household income under \$12,500 while the number with household income of \$250,000 or more is 10 percent.

The median household income of business owners is about \$100,000 (Q#12) compared to \$66,000 for all working Americans with a householder between 50 and 54 years old (Bureau of the Census, *Current Population Survey*). About 2 percent earn less than \$12,500 while 9 percent earn \$250,000 or more. Prorating the numbers

to eliminate the 14 percent of non-respondents adds a single percentage point to the higher figure and nothing to the lower.

Financial Education

Increasingly, businesses are asked to assume responsibilities that other institutions seemingly cannot manage. One of the latest is financial education. Unfortunately, the public often knows little about the most basic elements of its personal financial well-being. As a result, a limited number of small employers will sponsor efforts to help their employees understand such financial basics as buying and financing a home, debit and credit cards, insurance, etc. Eleven (11) percent of small, employing businesses currently offer such personal finance education and/or planning services to their employees, including 21 percent of those employing 20 or more people (Q#1). Another 9 percent do not offer it currently, but plan to do so in the future. The extent and content of this education is unknown, but the interest of as many as one in five small employers suggests that many believe employees are deficient in these matters. More likely believe that basic proposition is true, but will not take any action. Seventy-nine (79) percent neither currently offer financial education to their employees nor do they expect to do so in the future.

Final Comments

The personal finances of small-business owners create particular interest because the wealthiest people in the country are usually people who founded businesses and grew them. They also create interest because they are more mysterious, or private, and less visible than those of wage and salary workers. Owner personal finances are also less subject to the immediate control of others, though far more volatile and subject to economic fluctuation. Yet, rather than simply satisfying a voyeur's curiosity by looking into the personal affairs of a select group of individuals, these data provide aspiring business owners and policy makers a broad idea of the returns to business ownership. They also help existing owners compare their performance to that of others.

Established small-business owners, as a group, fare financially better than most mid-

dle-class Americans, as a group. That broad statement of fact conceals some important considerations, however. The amount of owner income drawn from a business includes the return on investment from money put into the business over time. It includes the considerable risk assumed. It includes the comparative (long) hours worked. Further, the median income figure disguises a great range of outcomes, much more so than typically found in other occupations. So, a simple comparison of median incomes misses much that is relevant.

While half of the businesses support one owner plus their employees, almost half support more than one owner plus their employees. An under-appreciated fact about small businesses is the number of firms that have ownership teams. When that occurs, business profits must support multiple owners. Hence, in almost half of the nation's small businesses, the firm's profit is not the amount that accrues to an owner. In this sense, one owner and one firm do not have the same meaning. The lack of equivalence between owner and business is not confined to profit and income, but extends to such things as the number of businesses not being equivalent to the number of business owners.

The accuracy of credit reports, both business and personal, the use of credit reports in credit scoring, and the affect of identity theft on credit reports are all part of the financial system that allows small businesses to operate efficiently and hence profitably. While many small businesses generate enough cash flow so that their owners do not become part of the credit reporting system, it is unusual. Most need and become part of the financial system that includes credit reporting, if for no other reason than to create greater certainty, reinforce trust, and cut transactions costs. But, the credit reporting system can damage small businesses and their owners greatly if the material contained in their individual records is inaccurate or used for unauthorized purposes. Hence the need to periodically check one's credit record(s) to ensure their accuracy and as a check for identity theft, an insidious and increasingly prevalent criminal activity. It is a very simple best practice, but one that should be conducted regularly and thoroughly.

Finance Questions

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

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
Recently a number of businesses have begun to offer financial education or planning services to their employees beyond just an understanding of the business's employee benefits. Topics might include overall financial planning, investment planning, buying and financing a home, financing higher education or debt and credit card information.				
I. Does your business currently?:				
1. Offer such financial education to employees	8.6%	15.7%	20.8%	10.6%
2. Not offer financial education, but plan to do so in the future	9.0	7.9	9.1	8.9
3. Not offer financial education and have no plans to do so in the future	81.1	74.2	70.1	79.3
4. (DK/Refused)	1.3	2.2	—	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
2. Within the last three years, have you checked your BUSINESS'S credit records held by a credit bureau or credit reporting company to determine if those records are correct?				
1. Yes	38.5%	46.1%	41.6%	39.6%
2. No	60.4	52.8	57.1	59.2
3. (DK/Refused)	1.1	1.1	1.3	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
2a. Within the last three years, did you complain to a credit bureau or credit reporting company that your record was inaccurate or that there were incorrect entries in it? (If "Yes" in Q#2.)				
1. Yes	24.0%	24.4%	18.8%	23.5%
2. No	75.6	75.6	81.3	76.2
3. (DK/Refused)	0.4	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	134	93	84	311

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
2a1. To which company or companies did you complain? (Allow up to three responses.) (If "Yes" in Q#2a.)				
1. Dun &				
Bradstreet	—%	—%	—%	19.2%
2. Equifax	—	—	—	34.2
3. Experian	—	—	—	23.3
4. TransUnion	—	—	—	12.3
5. Other	—	—	—	21.9
6. (DK/Refused)	—	—	—	23.3
Total	—%	—%	—%	134.2%
N	31	22	16	89
2a2. The last time you checked, were you very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied that your credit report as posted by a credit bureau was correct? (If "No" in Q#2a.)				
1. Very satisfied	55.9%	54.5%	44.4%	54.5%
2. Somewhat satisfied	34.4	42.4	48.1	36.9
3. Somewhat dissatisfied	5.1	3.0	3.7	4.7
4. Very dissatisfied	2.6	—	—	2.0
5. (DK/Refused)	2.0	—	3.7	2.0
Total	100.0%	100.0%	100.0%	100.0%
N	111	78	73	262
3. Within the last three years, have you checked your personal credit record to determine if it is correct?				
1. Yes	63.1%	65.6%	69.7%	64.0%
2. No	36.1	33.3	30.3	35.2
3. (DK/Refused)	0.8	1.1	—	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
3a. Within the last three years, did you complain to a credit bureau or credit reporting company that your personal record was inaccurate or that there were incorrect entries in it? (If "Yes" in Q#3.)				
1. Yes	26.4%	15.3%	23.1%	24.8%
2. No	73.0	84.7	76.9	74.8
3. (DK/Refused)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	224	134	138	496

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
3a1. To which company or companies did you complain? (Allow up to three responses.) (If “Yes” in Q#3a.)				
1. Equifax	43.3%	—%	—%	42.7%
2. Experien	31.7	—	—	31.5
3. TransUnion	25.0	—	—	25.0
4. Other	10.6	—	—	11.3
5. (DK/Refused)	23.1	—	—	25.8
Total	133.7%	—%	—%	136.3%
N	59	23	32	114
3a2. How satisfied were you with ____'s response to your complaint or complaints? Were you?:				
1. Very satisfied	—%	—%	—%	21.7%
2. Somewhat satisfied	—	—	—	39.1
3. Somewhat dissatisfied	—	—	—	14.1
4. Very dissatisfied	—	—	—	20.7
5. (DK/Refused)	—	—	—	4.3
Total	100.0%	100.0%	100.0%	100.0%
N	43	12	20	75
3a3. The last time you checked, were you very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied that your credit report as posted by a credit bureau was correct? (If “No” in Q#3a.)				
1. Very satisfied	46.7%	57.4%	53.3%	48.8%
2. Somewhat satisfied	42.3	33.3	37.8	40.6
3. Somewhat dissatisfied	5.7	5.6	4.4	5.5
4. Very dissatisfied	3.2	3.7	4.4	3.4
5. (DK/Refused)	2.2	—	—	1.7
Total	100.0%	100.0%	100.0%	100.0%
N	181	122	118	421

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
4. In the last three years, have you been a victim of identity theft?				
1. Yes	7.6%	7.9%	7.9%	7.7%
2. No	91.7	92.2	92.1	91.8
3. (DK/Refused)	0.6	—	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
4a. How many days was it between the time you were victimized and you first recognized it had happened? (If "Yes" in Q#4.)				
1. One – two days	—%	—%	—%	24.1%
2. Three - seven days	—	—	—	15.5
3. Eight – 30 days	—	—	—	36.2
4. > 30 days	—	—	—	19.0
5. (DK/Refused)	—	—	—	5.2
Total	100.0%	100.0%	100.0%	100.0%
N	29	16	17	62
4b. Do you have good reason to believe that in the last three years someone tried to steal your identity? (If "No" in Q#4)				
1. Yes	7.6%	6.1%	7.0%	7.4%
2. No	91.2	91.5	90.1	91.1
3. (DK/Refused)	1.2	2.4	2.8	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	319	185	182	686
5. Are you very familiar, somewhat familiar, not too familiar or not at all familiar with the financial concept of "credit scoring"?				
1. Very familiar	41.3%	40.4%	48.1%	41.9%
2. Somewhat familiar	36.9	39.3	36.4	37.1
3. Not too familiar	9.7	11.2	10.4	9.9
4. Not at all familiar	11.6	9.0	5.2	10.7
5. (DK/Refused)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
5a. Does your preferred financial institution use credit scoring to determine if its small-business customer's loan application is accepted or rejected? (If "Very familiar" or "Somewhat familiar" in Q#5.)				
1. Yes	57.4%	57.7%	56.3%	57.3%
2. No	15.4	15.5	12.5	15.1
3. (DK/Refused)	27.2	26.8	31.3	27.5
Total	100.0%	100.0%	100.0%	100.0%
N	277	163	169	609
Congress continues to review the Alternative Minimum Tax (AMT), proposing various taxable income levels above which additional taxes will be levied and below which benefits will be granted. The remaining questions are asked with that tax in mind.				
6. When you last filed your personal income tax, did you or your tax preparer have to CALCULATE an Alternative Minimum Tax (AMT)? (Owner respondents only.)				
1. Yes	22.7%	22.1%	35.6%	23.7%
2. No	55.2	57.1	47.5	54.8
3. (DK/Refused)	22.1	20.8	17.0	21.6
Total	100.0%	100.0%	100.0%	100.0%
N	300	169	154	623
6a. Did you have to PAY an alternative Minimum Tax (AMT)? (If "Yes" in Q#6.)				
1. Yes	50.0%	—%	57.1%	53.0%
2. No	45.2	—	38.1	42.7
3. (DK/Refused)	4.8	—	4.8	4.3
Total	100.0%	100.0%	100.0%	100.0%
N	65	37	54	156
7. Will 95 percent or more of your entire personal income for the year come from salary, dividends or profits from this business? (If "Owner" in Q#D1.)				
1. Yes	71.6%	73.7%	76.7%	72.3%
2. No	24.6	22.4	18.3	23.8
3. (DK/Refused)	3.8	3.9	4.0	3.9
Total	100.0%	100.0%	100.0%	100.0%
N	300	169	154	623

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
7a. Will 75 percent or more come from salary, dividends or profits from this business? (If "No" or "Don't Know" in Q#7.)				
1. Yes	20.5%	—%	—%	22.0%
2. No	74.0	—	—	71.8
3. (DK/Refused)	5.5	—	—	6.2
Total	100.0%	100.0%	100.0%	100.0%
N	86	41	34	161
8. Are there other adult members of your household who draw a salary, dividends, or profits from this business?				
1. Yes	29.8%	44.0%	40.7%	32.3%
2. No	68.0	54.7	59.3	65.8
3. (DK/Refused)	2.1	1.3	—	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	300	169	154	623
8a. Will you draw more income from the business than any other adult member of your household? (If "Yes" in Q#8.)				
1. Yes	65.7%	66.7%	79.2%	67.3%
2. No	33.1	33.3	16.7	31.4
3. (DK/Refused)	1.2	—	4.2	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	91	74	62	227
9. How many owners of this business in total are there who will draw a salary, dividends, or profits from this business this year?				
1. None	3.6%	4.0%	1.7%	3.5%
2. One	55.4	40.0	31.7	51.7
3. Two	32.9	40.0	38.3	34.2
4. Three	3.1	10.7	11.7	4.6
5. Four or more	3.4	4.0	13.3	4.3
6. (DK/Refused)	1.6	1.3	3.4	1.7
Total	100.0%	100.0%	100.0%	100.0%
N	300	169	154	623

	Employee Size of Firm			
	I-9 emp	10-19 emp	20-249 emp	All Firms
9a. Will the other owner/owners receive more, less or about the same from the business for the year as you will? (If greater than one in Q#9.)				
1. Less	11.9%	10.0%	5.4%	10.8%
2. Same	58.4	50.0	54.1	56.8
3. More	25.6	35.0	35.1	28.0
4. (Some more/Some less)	2.7	—	5.4	2.7
5. (DK/Refused)	1.4	5.0	—	1.7
Total	100.0%	100.0%	100.0%	100.0%
N	119	92	96	307
10. Does your total income from this business for this calendar year, including any salary, dividends, draw or profit taken out, likely to be?:				
1. < \$12,500	6.3%	5.3%	1.7%	5.8%
2. \$12,500 - \$24,999	4.3	1.3	—	3.6
3. \$25,000 - \$37,499	5.7	2.7	1.7	5.1
4. \$37,500 - \$49,999	11.8	6.7	3.3	10.5
5. \$50,000 - \$62,499	8.8	8.0	5.0	8.4
6. \$62,500 - \$74,999	10.6	8.0	6.7	10.0
7. \$75,000 - \$99,999	12.7	13.3	11.7	12.7
8. \$100,000 - \$124,999	7.7	9.3	6.7	7.8
9. \$125,000 - \$149,999	7.0	8.0	6.7	7.1
10. \$150,000 - \$199,999	2.9	4.0	8.3	3.5
11. \$200,000 - \$249,999	2.3	2.7	3.3	2.4
12. \$250,000 or more	2.7	9.3	21.7	5.1
13. (DK)	5.4	4.0	3.3	5.1
14. (Refused)	11.7	17.3	20.0	13.0
Total	100.0%	100.0%	100.0%	100.0%
N	300	169	154	623
11. Does your individual income FROM THIS BUSINESS account for 95 percent or more of your entire household income?				
1. Yes	45.3%	44.2%	53.3%	45.9%
2. No	50.4	49.4	41.7	49.5
3. (DK/Refused)	4.3	6.5	5.0	4.6
Total	100.0%	100.0%	100.0%	100.0%
N	300	169	154	623

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
12. Is your total household income from all sources for the year, including income from other adult members of the household, likely to be?:				
1. < \$12,500	0.8%	—%	—%	0.6%
2. \$12,500 - \$24,999	2.8	—	—	2.3
3. \$25,000 - \$37,499	1.6	2.9	—	1.7
4. \$37,500 - \$49,999	4.0	2.9	—	3.6
5. \$50,000 - \$62,499	6.8	2.9	5.0	6.3
6. \$62,500 - \$74,999	12.5	8.8	5.0	11.6
7. \$75,000 - \$99,999	12.1	11.8	5.0	11.6
8. \$100,000 - \$124,999	12.1	11.8	10.0	11.9
9. \$125,000 - \$149,999	11.6	14.7	5.0	11.6
10. \$150,000 - \$199,999	11.6	14.7	15.0	12.2
11. \$200,000 - \$249,999	5.6	5.9	10.0	5.9
12. \$250,000 or more	6.4	20.6	40.0	10.2
13. (DK)	5.2	—	—	4.3
14. (Refused)	6.8	2.9	5.0	6.3
Total	100.0%	100.0%	100.0%	100.0%
N	137	74	52	263
13. Small-business owner household income. (Derived by combining Tables 10 and 12.)				
1. < \$12,500	2.2%	1.5%	—%	1.9%
2. \$12,500 - \$24,999	2.5	—	—	2.1
3. \$25,000 - \$37,499	3.7	1.5	—	3.2
4. \$37,500 - \$49,999	7.8	4.5	2.0	7.0
5. \$50,000 - \$62,499	8.4	6.0	6.0	7.9
6. \$62,500 - \$74,999	12.9	7.5	6.0	11.8
7. \$75,000 - \$99,999	11.4	12.0	8.0	11.2
8. \$100,000 - \$124,999	10.2	12.0	8.0	10.2
9. \$125,000 - \$149,999	9.2	12.0	8.0	9.4
10. \$150,000 - \$199,999	7.8	9.0	8.0	7.9
11. \$200,000 - \$249,999	4.5	4.5	8.0	4.9
12. \$250,000 or more	5.4	15.0	32.0	8.6
13. (DK)	5.0	3.0	2.0	4.5
14. (Refused)	9.0	13.5	10.0	9.4
Total	100.0%	100.0%	100.0%	100.0%
N	269	150	134	553

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

Demographics

D1. Which best describes your position in the business?

1. Owner/Manager	83.3%	78.9%	75.0%	82.0%
2. Owner, but not manager	5.1	6.7	2.6	5.0
3. Manager, but not owner	11.6	14.4	22.4	12.9
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753

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

1. Agriculture, forestry, fishing	9.5%	1.2%	2.6%	8.0%
2. Construction	11.3	11.6	6.6	10.9
3. Manufacturing, mining	7.9	8.1	10.5	8.2
4. Wholesale trade	5.9	7.0	6.6	6.1
5. Retail trade	14.3	18.6	15.8	14.9
6. Transportation and warehousing	2.1	5.8	2.6	2.5
7. Information	1.4	2.3	2.6	1.6
8. Finance and insurance	5.7	2.3	6.6	5.4
9. Real estate and rental/leasing	4.0	4.7	3.9	4.0
10. Professional/scientific/technical services	11.4	11.6	9.2	11.3
11. Admin. support/waste management services	3.2	2.3	3.9	3.2
12. Educational services	—	—	—	—
13. Health care and social assistance	5.2	5.8	9.2	5.7
14. Arts, entertainment or recreation	1.9	1.2	1.3	1.8
15. Accommodations or food service	4.8	10.5	14.5	6.3
16. Other service, incl. repair; personal service	10.5	7.0	3.9	9.5
17. Other	0.8	—	—	0.6
18. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
D3. Over the last two years, have your real volume sales?:				
1. Increased by 30 percent or more	11.9%	14.6%	18.7%	12.8%
2. Increased by 20 to 29 percent	10.9	14.6	10.7	11.3
3. Increased by 10 to 19 percent	19.2	28.1	24.0	20.6
4. Increased by < 10 percent	16.3	19.1	22.7	17.2
5. Decreased by < 10 percent	11.7	4.5	8.0	10.6
6. Decreased by more than 10 percent	16.2	12.4	8.0	15.0
7. (DK/Refuse)	13.8	6.8	8.0	12.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
D4. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?				
1. Yes	31.3%	7.9%	5.2%	26.1%
2. No	67.3	92.1	93.5	72.6
3. (DK/Refuse)	1.4	—	1.3	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
D5. How long have you operated this business?				
1. < 6 years	27.2%	17.0%	19.7%	25.3%
2. 6 – 10 years	17.6	17.0	22.4	18.0
3. 11 – 20 years	26.4	36.4	23.7	27.2
4. 21 – 30 years	14.8	17.0	18.4	15.4
5. 31+ years	12.4	11.4	13.2	12.4
6. (DK/Refuse)	1.6	1.1	2.6	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
D6. What is your highest level of formal education?				
1. < H.S.	2.1%	2.2%	—%	1.9%
2. H.S. diploma/GED	20.8	18.0	15.8	20.0
3. Some college or associate's degree	21.0	20.2	13.2	20.1
4. Vocational or technical school degree	5.1	2.2	2.6	4.5
5. College diploma	32.2	39.3	51.3	34.8
6. Advanced or professional degree	17.5	18.0	15.8	17.4
7. (DK/Refuse)	1.4	—	1.3	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753

	Employee Size of Firm			
	I-9 emp	10-19 emp	20-249 emp	All Firms
D7. Please tell me your age				
1. < 25 years	0.3%	1.1%	1.3%	0.5%
2. 25 – 34 years	7.6	3.3	7.9	7.2
3. 35 – 44 years	18.9	22.2	17.1	19.1
4. 45 – 54 years	28.0	34.4	32.9	29.2
5. 55 – 64 years	27.0	25.6	27.6	26.9
6. 65+ years	15.6	12.2	9.2	14.6
7. (Refuse)	2.5	1.1	3.9	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
D8. What is the zip code of your business?				
1. East (zips 010-219)	17.0%	19.1%	11.7%	16.7%
2. South (zips (220-427)	19.2	20.2	19.5	19.3
3. Mid-West (zips 430-567, 600-658)	28.0	34.4	32.9	29.2
4. Central (zips 570-599, 660-898)	27.0	25.6	27.6	26.9
5. West (zips 900-999)	15.6	12.2	9.2	14.6
6. (DK/Refuse)	2.5	1.1	1.3	2.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
D9. Urbanization (Derived from zip code.)				
1. Highly Urban	12.2%	9.0%	11.8%	11.8%
2. Urban	18.7	22.5	21.1	19.4
3. Fringe Urban	14.3	19.1	21.1	15.5
4. Small Cities/Towns	20.8	21.3	22.4	21.0
5. Rural	27.3	23.6	17.1	25.9
6. (Not Known)	6.7	4.5	6.6	6.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
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	17.0%	28.1%	32.1%	19.7%
2. Somewhat high performer	19.4	24.7	28.2	20.9
3. Moderate performer	42.3	36.0	29.5	40.3
4. Somewhat low performer	4.1	2.2	1.3	3.6
5. Low performer	10.2	4.5	3.8	8.9
6. (Haven't been in business three years)	1.0	—	1.3	0.9
7. (DK/Refuse)	6.0	4.4	3.9	5.6
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753
D11. Sex				
1. Male	80.8%	87.6%	84.4%	81.9%
2. Female	19.2	12.4	15.6	18.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	202	200	753

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 December 11, 2007 – January 9, 2008 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.

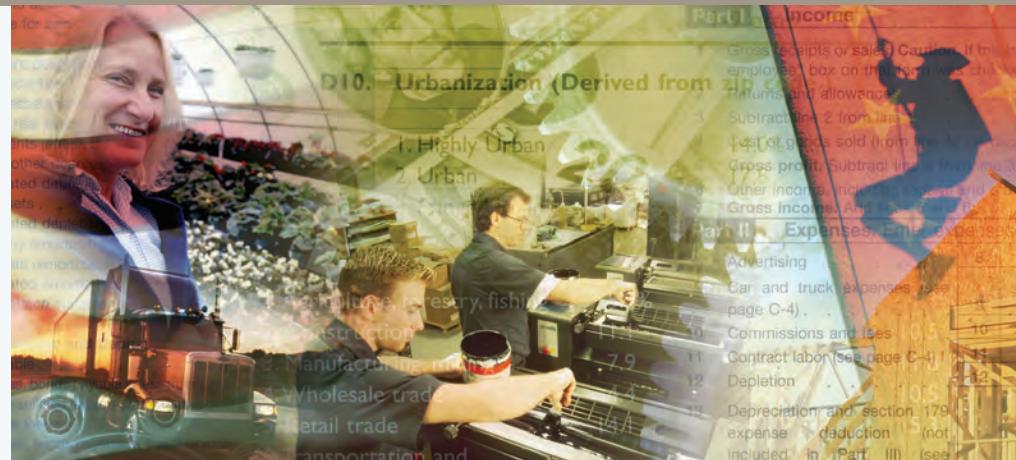
Table A1
Sample Composition Under Varying Scenarios

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	351	46
10-19	82	11	200	27	202	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	753	100

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

The Sponsor

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. The Foundation's functions were recently transferred from the NFIB Education Foundation.



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