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Study Reveals Top Challenges Small Businesses Are Facing This Year

“Achieving the American Dream of owning your own business is getting harder and harder. In fact, many entrepreneurs, upon arriving at the American Dream quickly realize that it is not what they had expected.

Reaping the big rewards that come with small business ownership is much more elusive while the downside perils are more common than in the past.” said Martin Stowe, EVP and Chief Service Officer at PrimePay.

A recent study put out by the Job Creators Network pulled data from a Connection Strategies polling of 408 U.S. small business owners. The information gathered by the survey details the real challenges these business owners are faced with day in and day out.

Taxes

Nearly half of small businesses listed high taxes as one of their three biggest hurdles threatening the visibility and expansion of their business. Why? Taxation averts funds that could otherwise have been spent in areas to grow their business and its complexity takes time and resources away from business planning.

Did you know that small businesses face some of the highest tax rates? Compliance costs are two-thirds larger for small businesses than large corporations. (\$18-19 billion per year and paperwork costs amounting to \$74 per hour.)

Also, payroll taxes are discouraging small business owners from hiring because of the increased cost of labor. Not to mention, payroll taxes must be paid even when no profit is made.

In addition to the cost of tax compliance, the complexity of tax code is cited as a huge headache for small business owners; about 60 percent say they spend more than 40 hours a year dealing with federal taxes.

Regulations

According to this survey, over half of small business owners listed overregulation as one of their biggest challenges. This includes government requirements such as the health care mandate and minimum wage rates. Regulations tend to stunt business growth because small business owners are spending time, money and resources on compliance rather than their ultimate goal.

Aside from government regulations, small business owners also cite city-specific zoning, permitting and licensing regulations as a huge challenge. Data in the survey suggests that the cost of federal regulations for small businesses is nearly \$12,000 per employee.

Funds

Small businesses most likely need funding at their inception in order to expand and grow, but the lack of access to capital has become an obstacle for many. A study by Pepperdine University's Gra-

ziadio School of Business and Management and Dun & Bradstreet Credibility Corp, says that 63 percent of small businesses find it difficult to get loans. Of those loans, 70 percent are looking for loans of \$250,000 or below, according to a recent Federal Reserve Small Business Credit Survey.

Access to capital has always been a challenge for small business, but this survey suggests that it's become more critical due to the Dodd-Frank financial reforms.

So what is an entrepreneur to do when they want to pursue the American Dream?

“First and foremost the business owner must realize what business they are in and where they need to spend their time to make money. A small business owner who spends valuable time calculating their own employee's payroll or invests hours struggling to get their invoices out timely is missing the point. These are moneymaking hours they will never get back.

Instead, if they outsourced these non-productive tasks to people or companies that specialize in such tasks, they will find more time to grow their business. Every business owner must take a serious look at what they consider “back office work” (that does not generate revenue) and get it in the hands of people that specialize in this task as their front office,” explained Stowe.