

Small businesses provide 60 million jobs in the U.S. They could provide even more if government officials would end excessive regulation.

According to a 2018 study by the Small Business Administration, the U.S. is home to more than 30 million small businesses, which employ nearly 60 million workers, or just under half (47.5%) of the U.S. workforce. Almost all (99.9%) U.S. companies are small businesses, and they generate about a third of all exports.

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Small business owners could pay their employees more, provide better services, and hire more people if they didn't have to waste time and money with excessive regulations, which Americans for Tax Reform estimates costs the U.S. economy \$2 trillion every year.

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“The overwhelming majority of [small] businesses—95 percent—are considered ‘pass-through’ entities, which means their owners are taxed at the highest individual marginal tax rate,” writes small business owner Joseph Semprevivo. “...With state and local taxes included, the pass-through tax burden can reach 50 percent. When half of a small business's income goes to the government, very few resources are left over for business expansion and job creation.”

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Related reading: “Madness, Miracles, Millions” – Joseph Semprevivo and Larry Semprevivo

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While some government regulations are necessary, many are excessive—and excessive regulation kills business.

Excessive, unnecessary regulations soak up valuable hours of business owners' time and money while providing no meaningful value or protections to

customers. According to a 2017 study by the National Small Business Association, the average U.S. small business owner paid over \$83,000 in regulatory costs just to stay compliant in the first year of operation.

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The same study found that a third of small business owners spend more than 80 hours a year working to meet regulatory requirements and about half say they've held off on new hires to do regulatory expenses.

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The less money an owner has to work with due to the expense of excessive regulation, the less capable that owner is of giving employees competitive salaries and employing more people.

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Excessive regulation forces business owners to devote significant resources to complying with multiple governments: federal, state and local.

For example, a bakery is simultaneously under the jurisdiction of the Food and Drug Administration (FDA), the Department of Agriculture, the Occupational Safety and Health Administration (OSHA), and the state health agency. Those agencies all have different rules—and some of those rules contradict each other.

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How overregulated are our industries? The FDA requires bakeries to send a sample of every product batch to a third-party lab for testing. If a bakery makes 40 batches of cookies in a day, the FDA requires that it devote time and money to sending 40 samples to a lab.

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A 2017 study by the National Small Business Association found that two-thirds of small business owners describe federal regulations as “somewhat” or “very burdensome.”

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Recent studies have estimated that excessive regulation pulls \$2 trillion out of the U.S. economy annually.

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Related reading: “This 1 Move by the Trump Administration Is Boosting My Small Business” – Joseph Semprevivo, The Daily Signal

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The math is simple: the more taxes and regulations imposed on businesses, the fewer business startups. That means fewer jobs.

Increasing business regulation and taxation correlates with fewer business startups.

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Largely due to overly burdensome regulations, startup activity is below historically normal levels.

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Manufacturing businesses with fewer than 50 employees pay 17% more per employee to conform to regulation than the average firm.

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WATCH: “How Regulation Hurts Small Business”

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Recent government taxation and regulation have disproportionately hurt small businesses, preventing them from creating much-needed jobs.

From 2015 to 2016, the number of pages in the Federal Register related to final rules rose 56.5 percent — increasing from 24,694 pages to 38,652.

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Despite promises that Obamacare would help small businesses and significantly increase job creation by the self-employed, startup activity is still below historically normal levels.

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WATCH: Small business owner Dean Mixon on how regulation harms his business.

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Small businesses simply can't afford to comply with heavy regulation and lobby to get favorable legislation like large corporations can.

Small manufacturing firms face regulatory compliance costs that are 10 times higher on a per-employee basis than those faced by large firms.

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Small businesses must spend time and money complying with regulation, not fighting it. Big businesses and trade associations spent over \$716 million on lobbying in 2016.

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Large companies often support regulation for the strain it places on smaller competitors.

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Examples include Enron supporting strict environmental protocols, and General Motors supporting clean air initiatives that boosted their profits.

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Government programs like the Export Import bank benefit multinational companies the most and often directly harm small businesses. Multinationals

such as Boeing, GE, and Caterpillar received 75 percent of Ex-Im funding in 2013.

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Small businesses accounted for almost two-thirds of the net new jobs created in the U.S. between 1993 and 2013.

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America is home to more than 28 million small businesses that employ nearly 57 million workers.

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Overly burdensome regulation and taxation doesn't only hurt small business owners—employees are negatively affected as well.

Even if small companies are exempt from some labor regulation, they can become barriers to hiring as the company attempts to grow.

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President Obama enacted a regulation giving workers more overtime. But even proponents of the rule admit that employers would offset overtime pay with base wage rates, resulting in no change. This would also make employees less flexible, requiring them to log their hours and removing control over when they work.

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WATCH: Hector Barreto on the burden of overtime regulations.

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Small businesses often outpace large companies when it comes to innovation. Overtaxing small businesses hurts us all.

A study by the Small Business Administration found that during 2007-2009, small businesses produced 15 times more patents per employee when compared to large businesses.

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Although small businesses lack the market power of large companies, they make up for this with flexibility and speed of development, allowing them to innovate quickly.

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In 1936, the US Federal Register had 2,620 pages of rules & regs. By 2012, it had 78,961 pages. That's big government in a nutshell.

The number of federal rules and regulations has massively expanded over the last century, jumping from under 3,000 pages in the 1930s to over 70,000 pages by the early 2000s.

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As the government grows, so do regulations and taxes, which chip away at people's private property rights and their ability to keep the money they earn.

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As government increases, liberty decreases – as the 20th century demonstrated in dramatic and tragic fashion.

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