

# Office of Advocacy

U.S. Small Business Administration

## NEWSRELEASE

**For Release: September 21, 2010**

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SBA Number: 10-12 ADV

## The Impact of Regulatory Costs on Small Firms

WASHINGTON, D.C. -- Small businesses still face a disproportionate burden when it comes to costs of federal regulations, compared to larger firms according to a study released today by the Office of Advocacy. The report titled *The Impact of Regulatory Costs on Small Firms*, written by Nicole V. Crain and W. Mark Crain, was released and presented by its co-author W. Mark Crain at the Office of Advocacy's symposium celebrating the 30th anniversary of the Regulatory Flexibility Act. The purpose of the study was to look at the overall cost of federal regulation on small business, not to evaluate the benefits of federal regulations. Today's findings are consistent with previous studies on this topic conducted by the Office of Advocacy.

"Small businesses still face higher costs when they encounter government regulations compared to larger firms," said Winslow Sargeant, Chief Counsel for Advocacy. "Today's report shows that on a per employee basis it costs small firms \$2,830 more than larger firms to comply with government regulations. That is a 36% difference and that is an unfair burden to place on American small business."

The cost of environmental regulations appear to be the main driver when determining the severity of the disproportionate impact on small firms. Compliance with environmental regulations costs 364 percent more in small firms than in large firms. The cost of tax compliance is 206 percent higher in small firms than the cost in large firms.

This report details the distribution of regulatory costs for five major sectors of the U.S. economy: manufacturing, trade (wholesale and retail), services, health care, and other (a residual category containing all enterprises not included in the other four). The sector-specific findings reveal that the disproportionate cost burden on small firms is particularly stark for the manufacturing sector. In addition the "other" category also indicates a high level of disproportionality between small and large firms. The compliance cost per employee for small manufacturers is more than double the compliance cost for medium-sized and large firms. In the service sector, regulatory costs differ little between small businesses and larger firms. The distribution of the regulatory burden across firm sizes in the other major business sectors falls somewhere between these two cases.

For more information and a complete copy of the report, visit the Office of Advocacy website at [www.sba.gov/advo](http://www.sba.gov/advo).

*The Office of Advocacy of the U.S. Small Business Administration (SBA) is an independent voice for small business within the federal government. The presidentially appointed Chief Counsel for Advocacy advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policymakers. For more information, visit [www.sba.gov/advo](http://www.sba.gov/advo), or call (202) 205-6533.*

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