



Veteran-Owned Businesses and Their Owners: Data from the U.S. Census Bureau's Survey of Business Owners

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Purpose

Businesses owned by veterans and by service-disabled veterans have been a research priority of the U.S. Small Business Administration's Office of Advocacy since the enactment of the Veterans Entrepreneurship and Small Business Development Act of 1999.¹ This report continues Advocacy's ongoing veteran entrepreneurship research program and features data on veteran-owned businesses and their owners. Advocacy believes that good policy requires good information, and the information in this report is intended to help government policymakers and other stakeholders make informed decisions. The report is based on data from the U.S. Census Bureau's Survey of Business Owners (SBO), conducted once every five years. The current report is for data year 2012, for which data were released in December 2015 and February 2016.

Overall Findings

Census estimated that in 2012:

- 2.52 million businesses were majority-owned by veterans.
- Of this total, 442,485 were employers, and 2.08 million were non-employers.
- Almost all of veteran-owned businesses (99.9 percent) were small businesses.²
- Veteran-owned firms had receipts of \$1.14 trillion, employed 5.03 million people, and had annual payroll of \$195 billion.

1. *Public Law 106-50.*

2. *The SBO estimates that there were 2,521,682 veteran-owned businesses. Of these 686 were large (500 or more employees) and 2,520,996 were small (fewer than 500 employees).*

- Veteran-owned firms represented 9.1 percent of all U.S. firms.
- 10.3 percent of all owners of SBO-respondent firms were veterans.
- 7.3 percent of all SBO-respondent veteran owners had service-connected disabilities.

Highlights

Nearly 30 percent of all veteran-owned firms were in two industry groups: construction and the professional, scientific and technical services group.

- The industry with the largest share of veteran-owned firms was finance and insurance (13.2 percent), followed by transportation and warehousing (12.1 percent), and construction (11.4 percent).
- Five industry groups accounted for 71.5 percent of all veteran-owned firm sales: wholesale trade (22.9 percent), retail trade (19.5 percent), manufacturing (12.3 percent), construction (10.1 percent), and professional, scientific, and technical services (7.0 percent).
- Most veteran-owned employer firms are small: 54.5 percent of all veteran-owned employer firms have one to four employees; 71.3 percent have from one to nine employees; 80.6 percent have from one to nineteen; 9.0 percent have twenty or more; and 3.2 percent have more than fifty.
- The majority ownership of veteran-owned firms was overwhelmingly male (84.3 percent), non-Hispanic (92.9 percent), and white (85.1 percent). Women owned 15.2 percent of all veteran-owned businesses, and self-identified minorities owned 20.6 percent.

- By race and ethnicity, majority ownership shares of veteran-owned businesses were: African American (10.7 percent), Hispanic (7.0 percent), Asian-American (2.1 percent), American Indian or Alaska Native (1.3 percent), Native Hawaiian or other Pacific Islander (0.3 percent), and some other race (2.2 percent).

- Most veteran-owned businesses had only one owner (86.1 percent); almost all had four or fewer owners (97.9 percent).

- The states with the most veteran-owned firms, in order, were: California (252,377), Texas (213,590), Florida (185,756), New York (137,532) and Pennsylvania (97,969). Figure 1 shows the U.S. map in terms of the number of veteran-owned firms.

- The states with the highest percentages of veteran-owned firms were: South Carolina (13.0 percent), New Hampshire (12.2 percent), Virginia (11.7 percent), Alaska (11.7 percent), and Mississippi (11.4 percent). Figure 2 shows the U.S. map in terms of the veteran-owned share of businesses in each state.

- Almost three-quarters (72.0 percent) of respondent veteran owners had active duty service at some time, and 4.9 percent reported post-9/11 active duty (September 2001 or later). During the 2012 survey year, 3.3 percent of owners reported service in the National Guard or a Reserve component, and 0.8 percent reported active duty service during 2012.

- Veteran business owners are much older than business owners in general. In 2012, 74.0 percent of veteran business owners were age 55 and over (all owners: 41 percent); 26.0 percent were age 55–64 (all owners: 25.4 percent); and 48.0 percent were 65 or older (all owners: 15.6 percent).

- On the younger end of age distribution, 11.7 percent of veteran owners were under age 45 (all owners: 32.5 percent); and only 3.4 percent of veteran owners were under age 35 (all owners: 13.5 percent).

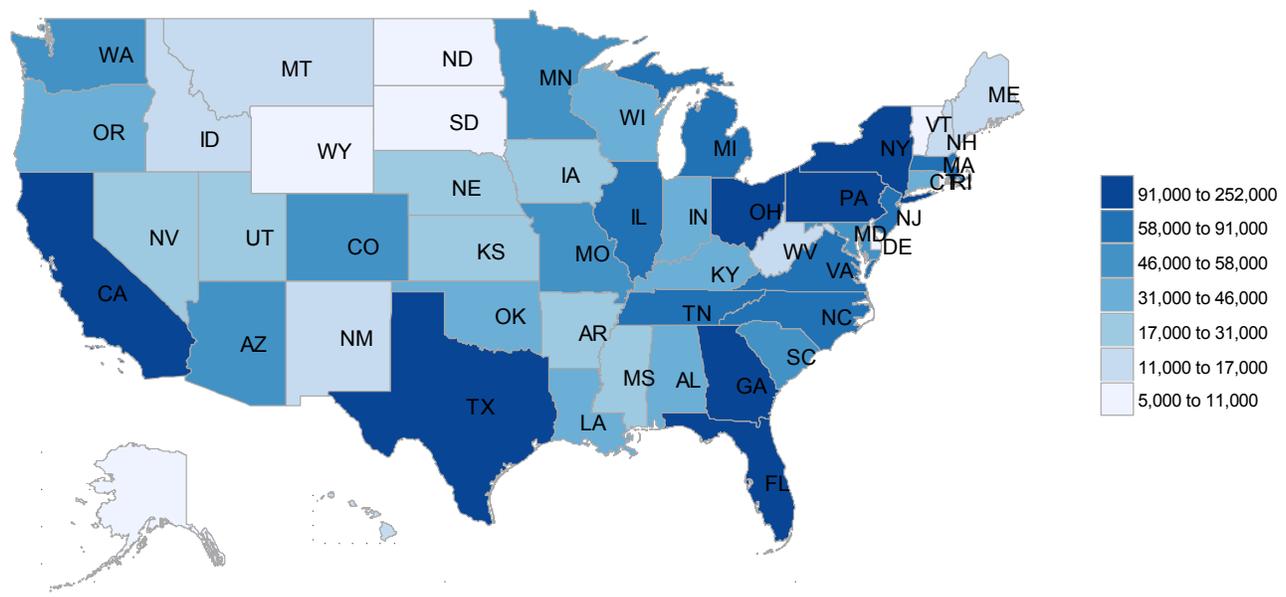
- A larger share of veteran-owned businesses than all U.S. firms reported that they were home-based, 57.0 percent compared with 52.2 percent.

- The percent of veteran-owned businesses operated as franchises was somewhat lower than that for all firms, 2.1 percent versus 2.9 percent. Among veteran-owned employer firms, 4.2 percent were franchises, compared with 5.3 percent for all firms.

- By far the largest source of capital for veteran-owned business startup or acquisition was personal or family savings, 59.4 percent. Business loans from banks or other commercial lenders were used by 7.8 percent of veteran-owned firms, while personal credit cards were reported by 7.5 percent. These were similar to the sources of capital for all firms.

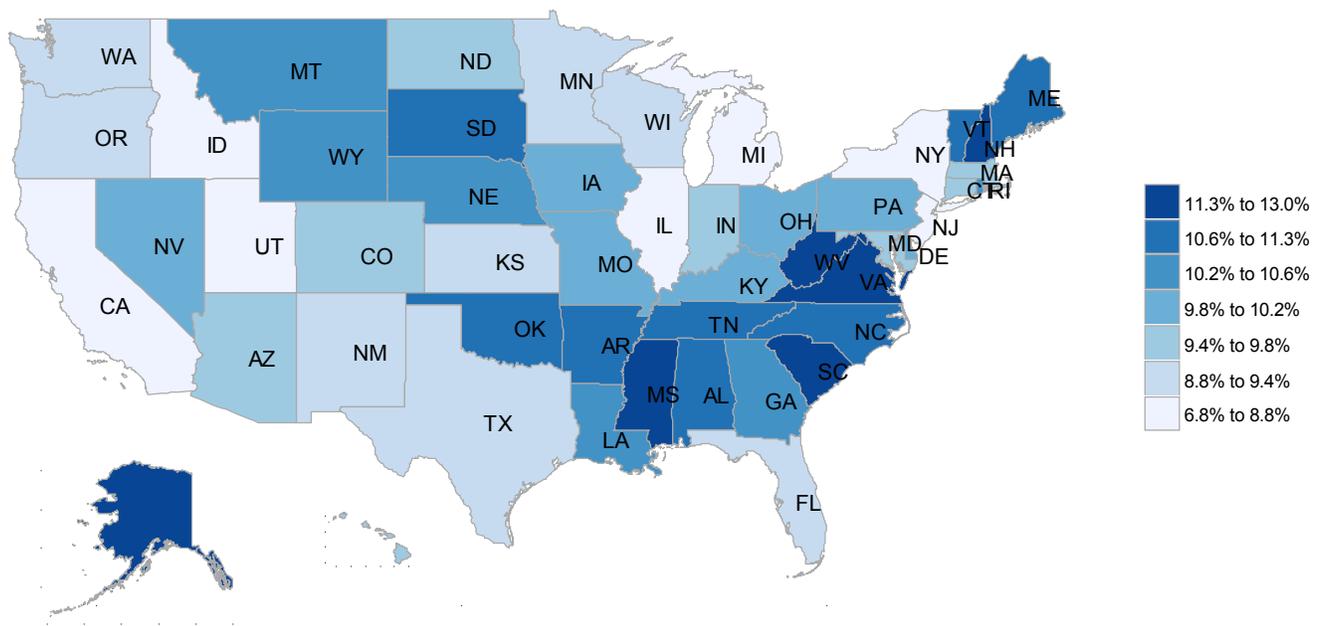
- The most common method for veterans to become business owners was to found or start the businesses themselves.

Figure 1: Number of Veteran-owned Businesses by State, 2012



Source: SBA Office of Advocacy. Source data from Census Bureau 2012 SBO final release (December 2015).

Figure 2: Percentages of Veteran-owned Businesses by State, 2012



Source: SBA Office of Advocacy. Source data from Census Bureau 2012 SBO final release (December 2015).

- Among veteran owners of respondent firms, 85.3 percent founded their businesses themselves, 10.8 percent purchased their businesses, 2.7 percent inherited them, and 2.8 percent acquired their ownership by transfer or as a gift.

Scope and Methodology

The most important source of data on veteran-owned businesses and their owners is the U.S. Census Bureau’s Survey of Business Owners, conducted once every five years for data years ending in 2 and 7. The most recent edition of the SBO is for data year 2012. About 1.75 million businesses received one of two SBO survey instruments asking for information about the characteristics of the business and its owners. The information obtained from respondents was combined with additional Census data and administrative records from other agencies to develop a wide variety of data products, including information on veteran-owned firms and their owners. Eighty datasets with specific veteran-related information from the 2012 SBO were released in December 2015 and February 2016.

The SBO’s scope is broad and includes most non-farm businesses with receipts of \$1,000 or more that file Internal Revenue Service tax forms as individual proprietorships, partnerships, or corporations. The SBO covers both

firms with and without paid employees. The SBO is conducted on a company or firm basis rather than an establishment basis. A company or firm is a business consisting of one or more domestic establishments that the reporting firm specified as being under its ownership or control.

The information in this report summarizes key data from large datasets available online at <https://www.census.gov/library/publications/2012/econ/2012-sbo.html>, using the Census Bureau’s American FactFinder utility. Of eighty SBO datasets with information on veteran-owned businesses or their owners, seven have full universe estimates for all firms by industry, location, size by receipts, size by number of employees, and the gender, race, and ethnicity of owners. Another 63 datasets concern characteristics of respondent businesses, and ten more have data on the characteristics of the owners of respondent firms.

The SBO is based on a sample rather than a complete census. SBO estimates can be considered as a midpoint in a range of possible values. Such “plus or minus” ranges vary depending on a number of factors, especially the size of the population being examined. Census data document the likelihood of variance from each of its estimates using a measurement called the relative standard error (RSE) which is provided for all data obtained using the agency’s

online data tool, the American FactFinder. RSEs for all major data categories with full universe data in this report are provided in its appendix; RSEs for other “characteristics” data provided in this report are available online through the American FactFinder utility.

For additional information on methodology, definitions, relative standard errors, and confidentiality protection, see the 2012 SBO website at <https://www.census.gov/programs-surveys/sbo/technical-documentation/methodology/2012-sbo-methodology.html>.

This report was peer-reviewed consistent with Advocacy’s data quality guidelines. More information on this process can be obtained by contacting the Director of Economic Research at advocacy@sba.gov or by phone at 202-205-6533.

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