



New York State Comptroller  
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Economic and Policy Insights

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# **Challenges Facing Small Businesses in New York**

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# Introduction

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Small businesses are an integral part of New York’s economy and communities, providing diverse employment opportunities and goods and services that are needed for daily life. Recently released data from the U.S. Census Bureau indicate there were 422,137 small businesses (with fewer than 500 employees) operating across New York in 2023, comprising 98.9 percent of all businesses in the state.<sup>1</sup> About 80.8 percent of all New York businesses employed less than 10 workers.<sup>2</sup> Small businesses employed 3.7 million people,<sup>3</sup> close to 45 percent of the state’s jobs, with employees earning an average of \$60,579 in annual pay in 2023.<sup>4</sup> Small businesses generated \$999.65 billion in sales, shipments and revenues in 2023.

Despite the importance of small businesses, New York trails the rest of the country in key metrics, including business creation and employment. Small business owners in New York report facing unique challenges and entrepreneurial barriers, including strict regulations and complex business application processes, which may affect the ability of entrepreneurs to open or grow their businesses.



# Small Businesses by Industry

New York’s small businesses mirror the distribution of small business industries nationwide. Three industries comprise over 50 percent of small business firms in New York: professional and administrative services, retail and wholesale trade, and leisure activities.<sup>5</sup> The small business industries which provide the greatest total employment are health care and leisure activities, which together made up 33.7 percent of small business employment in the state.<sup>6</sup> Appendix A provides a listing of employees by industry.

**Figure 1**  
**Small Businesses by Industry Sectors, New York State, 2023**

Industry Sectors	Number of Firms	Share of Small Businesses
Professional and Administrative Services	80,048	19.0%
Retail and Wholesale Trade	73,800	17.5%
Leisure Activities and Services	58,961	14.0%
Construction	49,739	11.8%
Financial Services	42,563	10.1%
Healthcare	42,514	10.1%
Manufacturing	12,544	3.0%
Transportation	11,947	2.8%
Information Services	7,777	1.8%
Education	7,470	1.8%
<b>Total</b>	<b>422,137</b>	<b>100%</b>

Note: Firm data for Financial Services and Education industries is subject to a margin of error greater than 10 percent. Industry information may not sum to statewide totals as some datapoints for certain industries were not included where they did not meet publication standards.

Source: 2023 ECNSVY Annual Business Survey, via U.S. Census Bureau

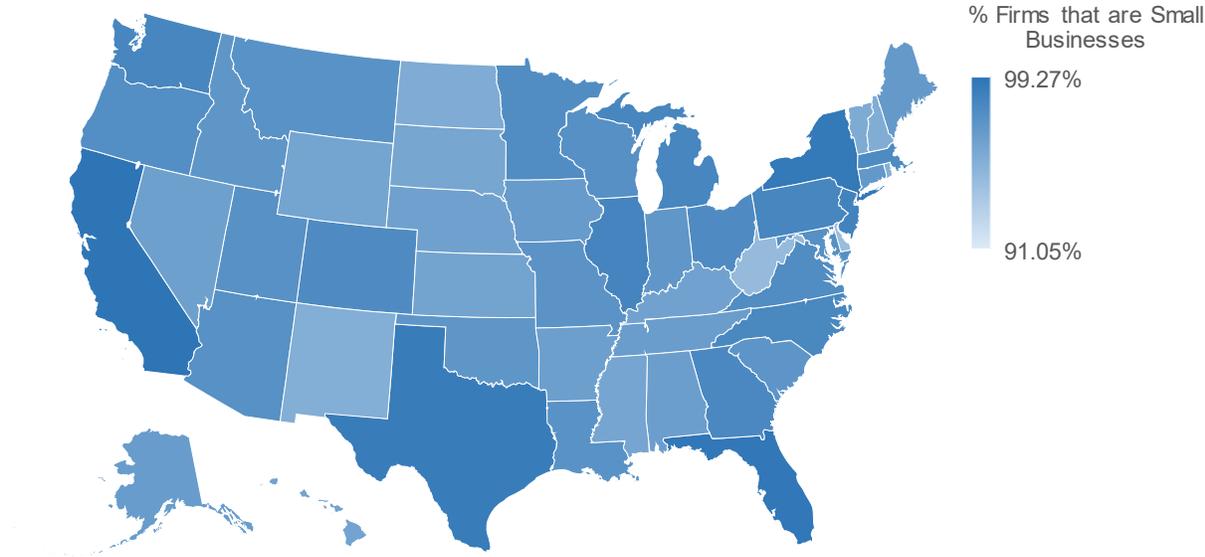
The average firm size for a small business in New York is between 8 to 9 employees. Small business firms in education employ the greatest average number of workers at about 19 per firm, followed by manufacturing at nearly 16 workers per firm. Construction, financial activities and professional services industries employ an average of 6 to 7 workers per firm.

Small business owners are also more diverse than those of large businesses: In New York, 23 percent of small businesses are majority-owned by women and 26 percent by minority business owners—compared to less than 4 percent and 3 percent, respectively, for large firms.

# Benchmarking New York

New York ranks 4<sup>th</sup> in the number of small businesses, but 3<sup>rd</sup> in the nation behind California and Florida for the share of firms that are small businesses (98.9 percent).

**Figure 2**  
**Percent of Firms that are Small Businesses by State, 2023**

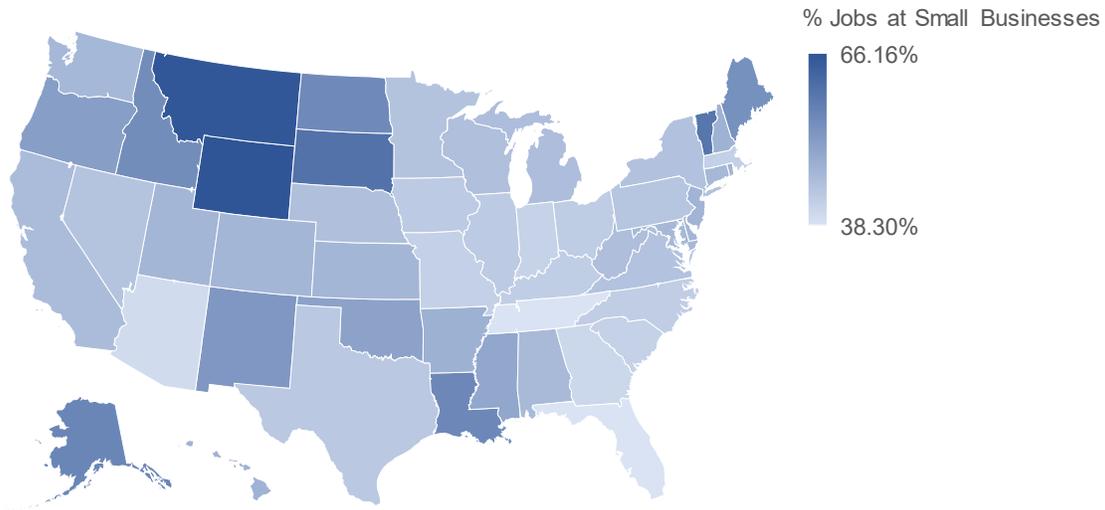


Source: 2023 ECNSVY Annual Business Survey via U.S. Census Bureau

New York ranked 4<sup>th</sup> in the country for the number of people employed by small businesses at 3.7 million people, behind California (7.3 million), Texas (5.1 million) and Florida (3.7 million). Unsurprisingly, these figures correlate with state population rankings.

Across the country, the average percentage of state jobs at small businesses was 47.5 percent in 2023. New York fell below this, with 44.7 percent. States such as Wyoming, Montana and South Dakota, which lack a large, central city, reported the highest percentages of jobs at small businesses. Texas, Massachusetts and Georgia, fell at the bottom end of the range.

**Figure 3**  
**Percent of Jobs at Small Business Firms by State, 2023**

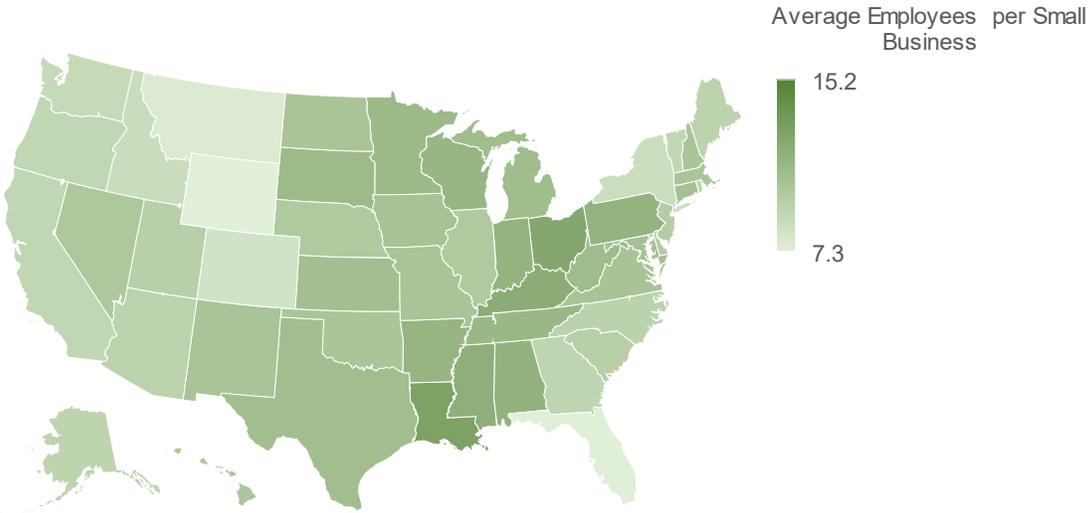


Source: 2023 ECNSVY Annual Business Survey, via U.S. Census Bureau

In 2023, the nationwide average number of employees per small business in each state was 10.3. New York had the 5<sup>th</sup> lowest number of average employees per small business (8.6), ahead of only Colorado, Montana, Florida and Wyoming. States which had the greatest percentage of jobs at small businesses also tended to have a smaller number of people working at each firm (see Figure 4).

The small businesses that employed the greatest number of people, on average, were centered in the Mississippi river valley and rust belt, with small businesses in Ohio, Kentucky, Louisiana, Mississippi and Pennsylvania employing more than 11.5 people per business in 2023. Washington D.C. averaged 15.2 people per firm, but this was primarily due to the population density and urban nature of the district.

**Figure 4**  
**Average Number of Employees per Small Business by State, 2023**



Source: 2023 ECNSVY Annual Business Survey, via U.S. Census Bureau

# Trends in Small Business Creation

## Growth of Small Businesses in New York Lags Rest of the Country

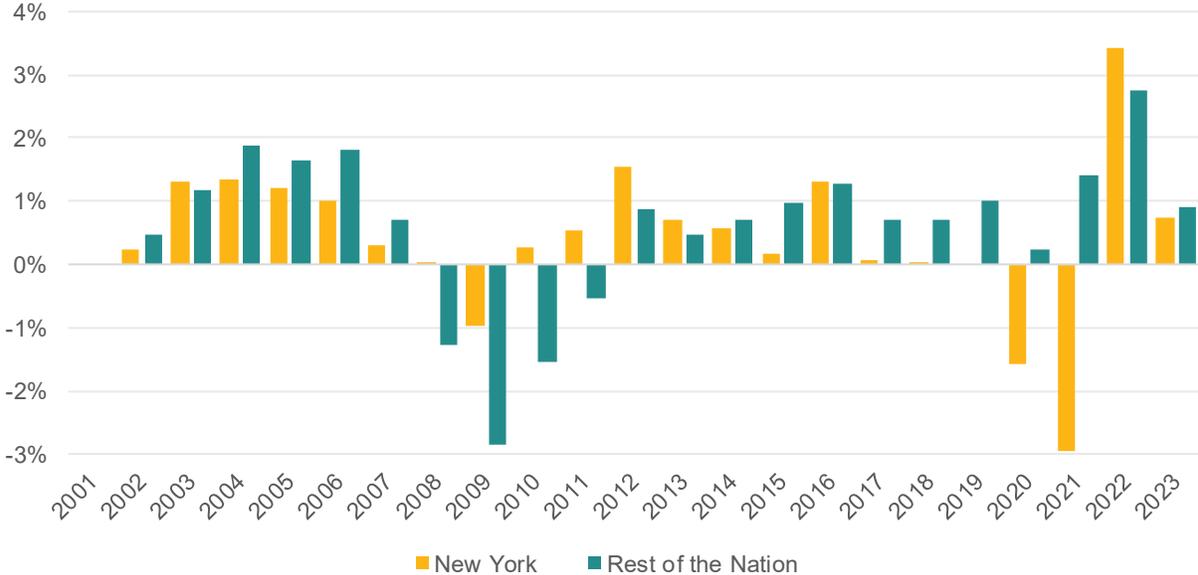
Over the long term, small business growth in New York has lagged the nation: between 2001 and 2023, the number of small business firms grew 9.5 percent in New York compared to 14.2 percent in the rest of the nation, ranking 22<sup>nd</sup> compared to other states.

The COVID-19 pandemic hit New York’s small business economy particularly hard in 2020 and 2021, with a net decrease of 7,350 small businesses in 2020 and 11,600 small businesses in 2021.<sup>7</sup> In contrast, the net number of small businesses in the rest of the nation grew in both 2020 and 2021.

The performance of New York’s small businesses during the pandemic was different from the Great Recession, when declines were much steeper in the rest of the nation. This is likely due to the fact that industries such as leisure, hospitality, and retail services, which were affected to a greater extent by the pandemic shutdowns, have high concentrations of small businesses, whereas the Great Recession largely impacted the finance, real estate and housing sectors.

From 2022 to 2023, the most recent year for which data are available, New York’s small business firms grew 0.70 percent, which is less than the rate at which small business firms grew across the rest of the country (1.05 percent).

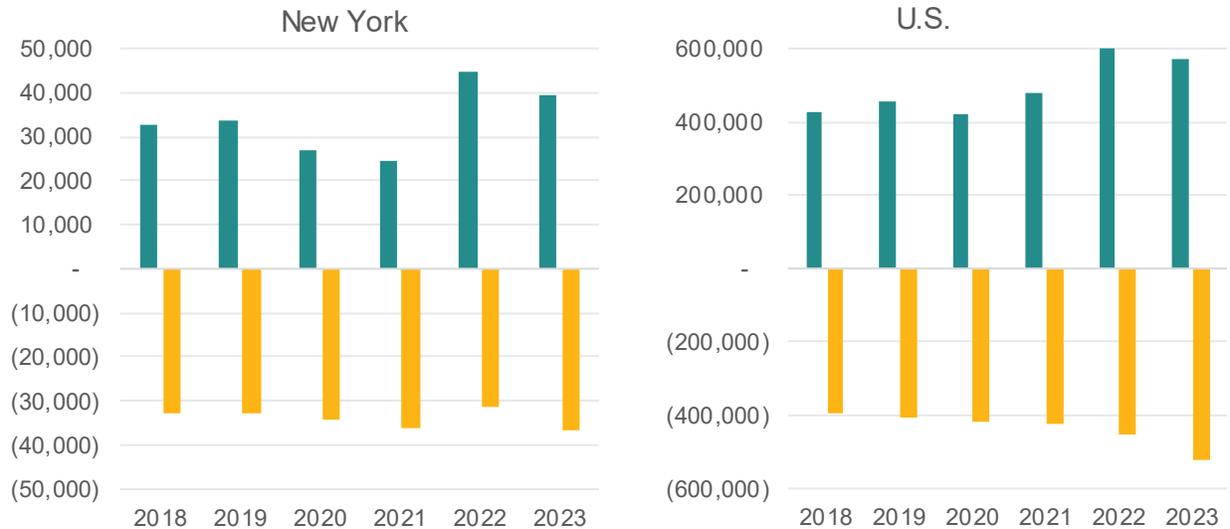
**Figure 5**  
**Annual Change in Small Businesses, New York and Rest of the Nation, 2001-2023**



Note: Data is not inclusive of sole proprietorships.  
Source: 2023 Business Dynamics Statistics, via U.S. Census Bureau

The net declines in small businesses in 2020 and 2021 are primarily due to reduced firm creation, as opposed to a great surge in firm closings, as shown in Figure 6. Firm closings increased by 5 percent in 2020 and 5.5 percent in 2021, but firm creation dropped more significantly, declining 20.1 percent in 2020 and an additional 8.8 percent in 2021.<sup>8</sup> Closures of New York small businesses peaked in 2021 when 36,143 small businesses shuttered. This downturn caused 422,176 job losses.

**Figure 6**  
**Small Business Firm Creation vs. Closings in New York and the U.S., 2018-2023**



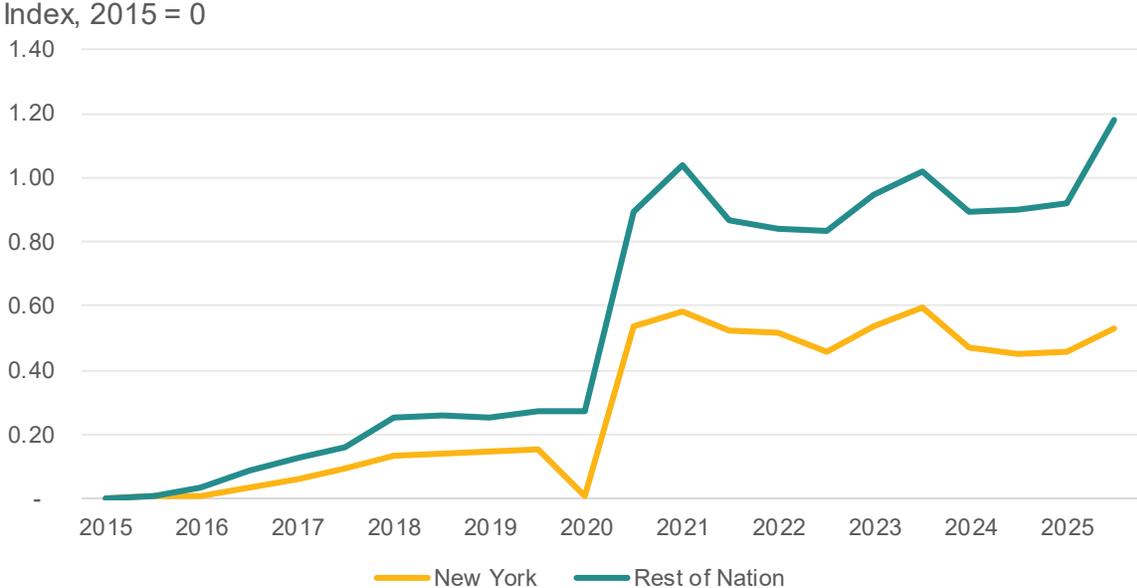
Source: 2023 Business Dynamics Statistics, via U.S. Census Bureau

Between 2018 and 2023, the number of small business firms in New York fell by 0.5 percent but grew by 6.4 percent in the rest of the country.<sup>9</sup> As a result, on a net basis, small business jobs in New York declined by 2.34 percent but grew 3.93 percent in the rest of the nation during this time period.

Applications to launch businesses in New York have also been underperforming national rates for more than a decade. Based on application data indexed to 2015, both New York and the rest of the nation saw modest but steady growth in business applications through late 2019, though New York’s rate of growth was less than the rest of the country. In 2020, following the onset of the pandemic, applications in New York dipped nearly to 2015 levels, but then surged during the subsequent entrepreneurial boom.

While both New York and the rest of the nation experienced this spike in applications, the rest of the nation significantly outperformed New York, with national applications in 2021 more than double that of 2015. In contrast, applications in New York were only 60 percent higher. As of the second half of 2025, the national trend was on a sharp upward trajectory while New York remained relatively flat. Since 2015, New York has seen an absolute increase in business applications but is still underperforming relative to national trends.

**Figure 7**  
**Aggregate Growth in Business Applications in New York vs. in the Rest of the Nation, (Indexed to 2015)**



Note: Data is monthly, aggregated in six-month blocks through December 2025 and is seasonally adjusted.  
Source: Business Formation Statistics, U.S. Census Bureau via Federal Reserve Economic Data

# Challenges of Small Business Entrepreneurship in New York State

There are numerous factors that generate prosperous entrepreneurial ecosystems. New York offers many of these, such as a pool of skilled and educated workers, access to capital and global markets, and a robust, supportive network of government infrastructure.<sup>10</sup>

However, there are other factors that reportedly impede business creation and prosperity. In July 2024, the National Federation of Independent Business (NFIB) Research Center released the 11<sup>th</sup> edition of their survey report, *Small Business Problems and Priorities*. This survey asked small business owners to assess the severity of 75 potential business problems on a scale of 1– “a critical problem” – to 7 – “not a problem.”<sup>11</sup>

Most challenges faced by small business owners are prevalent across the nation; for example, the cost of health insurance and supplies ranked as first and second in both New York and nationwide. Three issues stood out as more prevalent in New York. According to the responses from 285 small business owners in New York, State taxes on business income, what the survey describes as unreasonable government regulations, and electricity costs rank as greater concerns for small businesses owners operating in New York than those operating in the rest of the country.

**Figure 8**  
**Measures of Small Business Problem Importance, as Self-Reported by Small Business Owners**

Problem	Ranking NY	Ranking U.S.	Percent of NY Respondents Ranked “Critical”
Cost of Health Insurance	1	1	40.7%
Cost of Supplies/Inventories	2	2	23.4%
State Taxes on Business Income	3	9	27.1%
Unreasonable Government Regulations	4	7	26.9%
Cost of Natural Gas, Propane, other Fuel	5	6	27.3%
Uncertainty over Economic Conditions	6	3	22.3%
Electricity Costs (rates)	7	10	18.9%
Federal Taxes on Business Income	8	4	24.6%
Uncertainty over Government Actions	9	8	27.1%
Locating Qualified Employees	10	5	27.8%

Note: 99% of the small businesses NFIB gathered data from employed less than 100 employees.  
 Source: *Small Business Problems and Priorities*, via National Federation of Independent Business

State regulations also govern small businesses' environmental responsibilities, insurance coverage, process of hiring contractors, applying for commercial loans, and more. The recurring fees, penalty fines, and compliance costs associated with these various broad requirements can sometimes accumulate into a large administrative burden for small business owners.<sup>12</sup> More than 1 in 4 respondents of the New York State Business Council's Fall 2025 Employer Survey reported that if there was one thing State government could do to help their business, it would be to reduce regulations, which was ranked the highest priority among these employers.<sup>13</sup>

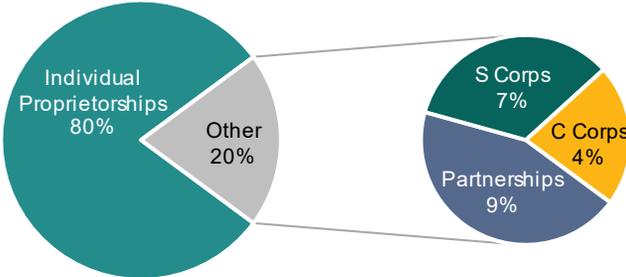
In addition to the regulations imposed by the State, localities can place additional requirements on small businesses. For example, a third of small businesses in New York City report waiting six months or longer to open due to the various licenses, permits, and waivers from as many as 15 different city agencies that must be obtained to operate.<sup>14</sup>

With high costs, access to capital is a struggle that many small businesses face.<sup>15</sup> This challenge can be especially burdensome for minority-, women-, and veteran-owned businesses, as previously reported by the Office of the State Comptroller.<sup>16</sup>

# Changing Landscape for Entrepreneurs

As net small business job creation declines, New York has simultaneously seen a steady rise in “nonemployer businesses,” or firms that do not directly employ any workers. The most prevalent type of nonemployer business that has seen large growth since the COVID-19 pandemic is the individual proprietorship—a type of business structure where a single individual owns and operates a business.<sup>17</sup>

**Figure 9**  
**Nonemployer Businesses in New York State by Formation Type, 2023**

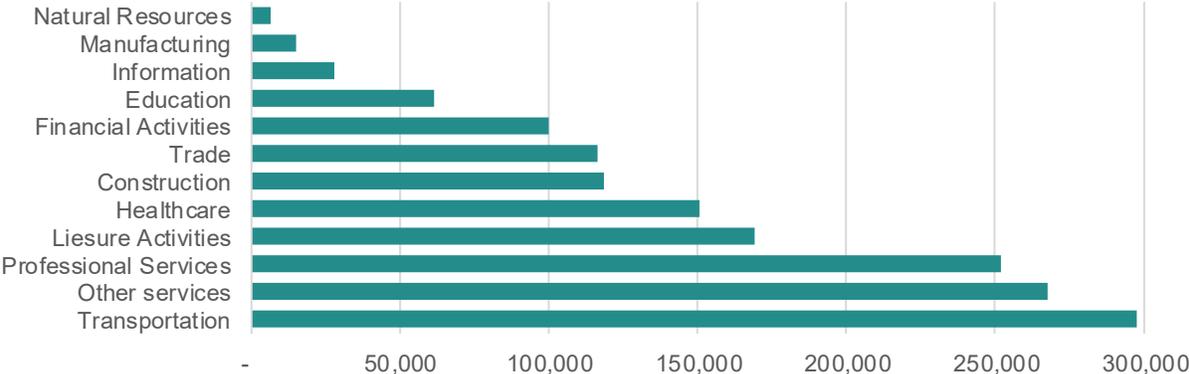


Note: Individual proprietorships are defined as a business formation where one person owns and operates the entity. A partnership is a business formation in which two or more individuals own and operate the entity and share in profits or losses. A C-corporation is a business formation in which the entity is legally separated from its owners, who are typically shareholders. A S-corporation is a business formation that is legally separated from its owners, but allows them to pass through their profits to personal income tax liability.

Source: 2023 ECNSVY Nonemployer Statistics, via U.S. Census Bureau

Many nonemployer businesses participate in the “gig economy”, a market characterized by short-term contracts or freelance work, often facilitated via digital platforms.<sup>18</sup> Short-term home sharing, ride-share and delivery applications have caused a surge in nonemployer businesses in New York’s leisure and accommodations industry, and various new professional services like social media management, content creation, personal finance and consulting are becoming more commonly offered by individual proprietors.<sup>19</sup>

**Figure 10**  
**Individual Proprietorships in New York by Industry, 2023**



Source: 2023 ECNSVY Nonemployer Statistics, via U.S. Census Bureau

# Conclusion

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Small businesses are an integral part of New York's local economies. Not only do they provide residents with a variety of employment opportunities, but they stimulate economic activity, enrich communities, and spur innovation in a plethora of industries. However, growth in New York's small business job creation and firm startups has been below rates in the rest of the nation.

As [reported previously](#) by the Office of the State Comptroller, entrepreneurship rates in New York are lower than many other states, as many of the New Yorkers who would like to start small businesses are thwarted by a lack of access to capital, insufficient business networks, and the absence of experience needed to run a business. Even when small businesses are established, there are other factors which make it difficult to operate a business, including high costs for labor, insurance, energy and strict regulations.<sup>20</sup> Additionally, emerging challenges such as tariffs have made resources even more costly, forcing owners to make sacrifices or difficult choices.

New York has several programs intended to offer financial support to small businesses. In 2022, the State launched over \$1 billion in new programs which provide grants and loans to small businesses to improve capital accessibility for its entrepreneurs. Though many startups encounter financial barriers in establishing their business, New York has programs to support and invest in the network of state-wide alternative lenders, which are instrumental in facilitating the growth and strength of New York's small businesses.<sup>21</sup>

After announcing an initiative as part of the State Executive Budget for State Fiscal Year 2027 to review State regulations,<sup>22</sup> the Executive announced the launch of EXPRESS NY (Expediting Processes and Regulations to Enable Streamlined Services), a new statewide effort to identify unnecessary, outdated or burdensome regulations for three key areas. The effort includes a link to a [portal](#) that invites New Yorkers to submit recommendations for supporting small businesses by identifying "issues that make it difficult for businesses to launch, serve customers, or grow."

The State and localities should continue to examine ways to reduce barriers to small businesses to both ease their entry into markets and help them thrive in New York. The State should also examine ways to make relevant technical assistance available to potential entrepreneurs.<sup>23</sup> Supporting these engines of employment and opportunity will help New York's future economic growth.

# Appendix A

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## Small Business Employees by Industry, 2023

Industry	Jobs at Small Businesses
Healthcare	613,214
Leisure Services	606,296
Professional and Administrative Services	549,399
Retail and Wholesale Trade	548,281
Construction	305,413
Financial Services	283,168
Manufacturing	197,097
Education	144,291
Transportation	115,351
Information Services	69,366
Natural Resources	4,632
<b>Total</b>	<b>3,436,508</b>

Note: Firm data for industries (excluding construction and education) is subject to a margin of error greater than 10 percent, may not be reliable, and are only provided for illustrative purposes. Industry information may not sum to statewide totals as some data points for certain industries were not included where they did not meet publication standards.

Source: 2023 ECNSVY Annual Business Survey, via U.S. Census Bureau

## Appendix B

State	Percent of Total Jobs at Small Businesses	Percent of Total Firms that are Small Businesses	Total Small Business Employees (Including Sole Proprietors)	Average Employees per Small Business
Wyoming	66.16%	96.01%	135,508	7.3
Montana	65.77%	97.26%	260,416	7.7
South Dakota	60.38%	95.86%	240,955	11.1
Vermont	59.78%	95.53%	144,147	9.1
Alaska	56.58%	96.54%	147,537	9.3
Louisiana	56.11%	97.25%	976,910	12.9
North Dakota	55.67%	95.49%	185,276	10.4
Idaho	55.15%	96.98%	394,931	8.7
Maine	54.37%	96.75%	300,345	9.3
New Mexico	53.19%	95.31%	323,508	10.4
Oregon	51.90%	97.52%	819,520	9.1
Oklahoma	51.03%	96.96%	702,168	10.3
Mississippi	50.12%	95.94%	481,468	11.9
Arkansas	48.17%	96.33%	549,158	11.5
New Hampshire	48.00%	95.38%	292,539	10.4
Hawaii	47.70%	96.04%	231,652	10.3
New Jersey	47.53%	98.32%	1,803,743	9.8
Rhode Island	47.48%	95.25%	202,252	9.2
Delaware	47.41%	94.29%	209,252	9.9
Utah	47.19%	97.31%	727,303	9.6
Colorado	47.05%	97.74%	1,145,937	8.2
Kansas	47.05%	96.07%	549,158	10.8
Washington	46.78%	98.08%	1,397,016	8.9
Maryland	46.69%	97.42%	1,097,255	10.7
Connecticut	46.66%	96.78%	678,735	10.7
Alabama	46.29%	96.39%	798,202	11.7
California	45.95%	99.27%	7,265,225	9.1
Michigan	45.66%	98.09%	1,774,509	11.0
West Virginia	45.48%	94.43%	238,970	11.0
Nebraska	45.36%	96.31%	405,345	10.0
Wisconsin	45.33%	97.36%	1,135,066	11.4
New York	44.76%	98.98%	3,693,544	8.6
Virginia	44.70%	97.64%	1,528,970	10.5
Minnesota	44.66%	97.63%	1,216,363	11.2
Nevada	44.43%	96.31%	587,078	10.2
Pennsylvania	44.19%	98.09%	2,436,425	11.6
Texas	43.53%	98.75%	5,094,063	10.9

State	Percent of Total Jobs at Small Businesses	Percent of Total Firms that are Small Businesses	Total Small Business Employees (Including Sole Proprietors)	Average Employees per Small Business
Iowa	43.24%	96.64%	593,154	10.6
Illinois	43.17%	98.21%	2,383,276	10.1
Ohio	42.80%	97.72%	2,088,038	12.5
North Carolina	42.58%	97.96%	1,689,101	9.4
Kentucky	42.49%	96.15%	731,345	12.1
District of Columbia	42.41%	91.05%	201,116	15.2
Missouri	42.00%	97.15%	1,049,845	10.4
Massachusetts	41.98%	97.75%	1,397,016	10.3
South Carolina	41.82%	97.02%	817,182	9.7
Indiana	41.66%	96.95%	1,170,686	11.6
Georgia	40.90%	97.91%	1,720,154	9.2
Arizona	39.90%	97.35%	1,100,695	9.4
Florida	38.34%	99.10%	3,715,301	7.4
Tennessee	38.30%	96.49%	1,053,305	11.3

Note: Employee data for Alaska, Arkansas, Delaware, District of Columbia, Hawaii, Idaho, Kentucky, Louisiana, Mississippi, Montana, Nebraska, Nevada, New Hampshire, North Dakota, Oklahoma, Rhode Island, South Dakota, and Wyoming are subject to margins of error greater than 10 percent but less than 20 percent.

Source: 2023 ECNSVY Annual Business Survey, via U.S. Census Bureau

# Endnotes

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- <sup>1</sup> U.S. Census Bureau, [2023 ENCSVY Annual Business Survey Summary](#), December 2024 (accessed December 1, 2025).
- <sup>2</sup> U.S. Census Bureau, [Economic Census Glossary](#) (accessed July 31, 2025).
- <sup>3</sup> U.S. Census Bureau, [2023 ENCSVY Annual Business Survey Summary](#), December 2024 (accessed December 1, 2025).
- <sup>4</sup> This amount is an average, representing gross annual compensation inclusive of employee benefits prior to withholdings and other payroll taxes. U.S. Census Bureau, [2023 ENCSVY Annual Business Survey Summary](#), December 2024 (accessed December 1, 2025).
- <sup>5</sup> U.S. Census Bureau, [2023 ENCSVY Annual Business Survey Summary](#), December 2024 (accessed December 1, 2025).
- <sup>6</sup> U.S. Census Bureau, [2023 ENCSVY Annual Business Survey Summary](#), December 2024 (accessed December 1, 2025).
- <sup>7</sup> U.S. Census Bureau, [Business Dynamics Statistics Explorer](#) (accessed July 31, 2025).
- <sup>8</sup> Metrics calculated via U.S. Census Bureau, ECNSVY Annual Business Survey data from 2014-2023 (accessed December 1, 2025).
- <sup>9</sup> U.S. Census Bureau, [Business Dynamics Statistics Explorer](#) (accessed July 31, 2025).
- <sup>10</sup> New York State Comptroller, [Small Businesses in New York State: An Economic Snapshot](#), March 2019.
- <sup>11</sup> National Federation of Independent Business, [Small Business Problems and Priorities](#), 11<sup>th</sup> Edition, July 2024 (accessed July 31, 2025).
- <sup>12</sup> The New York State Business Council, [The Fall 2025 New York State Employer Survey](#), November 2025 (Accessed December 1, 2025).
- <sup>13</sup> The New York State Business Council, [The Fall 2025 New York State Employer Survey](#), November 2025 (Accessed December 1, 2025).
- <sup>14</sup> Institute for Justice, [Barriers to Business- New York City](#), February, 2022 (accessed July 31, 2025).
- <sup>15</sup> New York State Comptroller, [New York State Business Owners](#), March 2024 (accessed December 1, 2025).
- <sup>16</sup> New York State Comptroller, [New York State Business Owners](#), March 2024 (accessed December 1, 2025).
- <sup>17</sup> U.S. Census Bureau, [2023 ECNSVY Nonemployer Statistics](#), May 2025 (accessed July 31, 2025). While the individual can be held personally liable for all debts and obligations related to their business, a benefit of individual proprietorships, as well as S corporations and partnerships, is that they are pass-through entities. In other words, any business income the individual makes is “passed through” to the owner’s personal income, meaning that it is taxed at their individual income tax rate rather than at the business income tax rate.
- <sup>18</sup> Neilsberg Research, [The State of Gig Economy in New York: Statistics and Trends](#), December 2022 (accessed July 31, 2025).
- <sup>19</sup> U.S. Census Bureau, [2023 ECNSVY Nonemployer Statistics](#), May 2025 (accessed July 31, 2025).
- <sup>20</sup> Economic Leadership, “Blueprint for New York – Creating a Roadmap for Change,” prepared for the Public Policy Institute of New York, September 2025.
- <sup>21</sup> Empire State Development, [Annual Report on the State of Small Businesses](#), 2023 (accessed July 31, 2025).
- <sup>22</sup> Blake G. Washington, Division of Budget, [FY 2027 Call Letter | Budget Request Manual](#), October 9, 2025.

<sup>23</sup> Available assistance is currently available through Small Business Development Centers and Empire State Development. See more at <https://www.osc.ny.gov/files/reports/pdf/business-owners-in-new-york-state.pdf>.

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