



BUSINESS OWNER REPORT

Uncovering the Business Owner Experience with Local Government

Overview

In June 2023, the number of new business applications in the U.S. soared to its highest level in two years.¹ Both 2021 and 2022 saw total applications exceed 5 million annually, and new business formation data from the U.S. Census Bureau suggests that 2023 is on track to surpass previous years.^{2,3}

For local governments in particular, the numbers underscore the need for continued investment in modernization, specifically with respect to processes integral to running a business. By bringing essential services like business licensing and tax filing online, jurisdictions are rethinking the traditional business owner experience in the face of continued growth. The question then is:

How do government services measure up in the eyes of business owners today?

To answer this question, GovOS launched a research survey for business owners across the United States. The objective was to uncover business owner sentiment and find out whether the online services provided by local governments effectively support those starting and running a business.

In this report, we explore the survey results which provide a close look at the business owner perspective around:

- The business licensing and tax filing processes
- The state of online government services
- Communication channels between government and the community

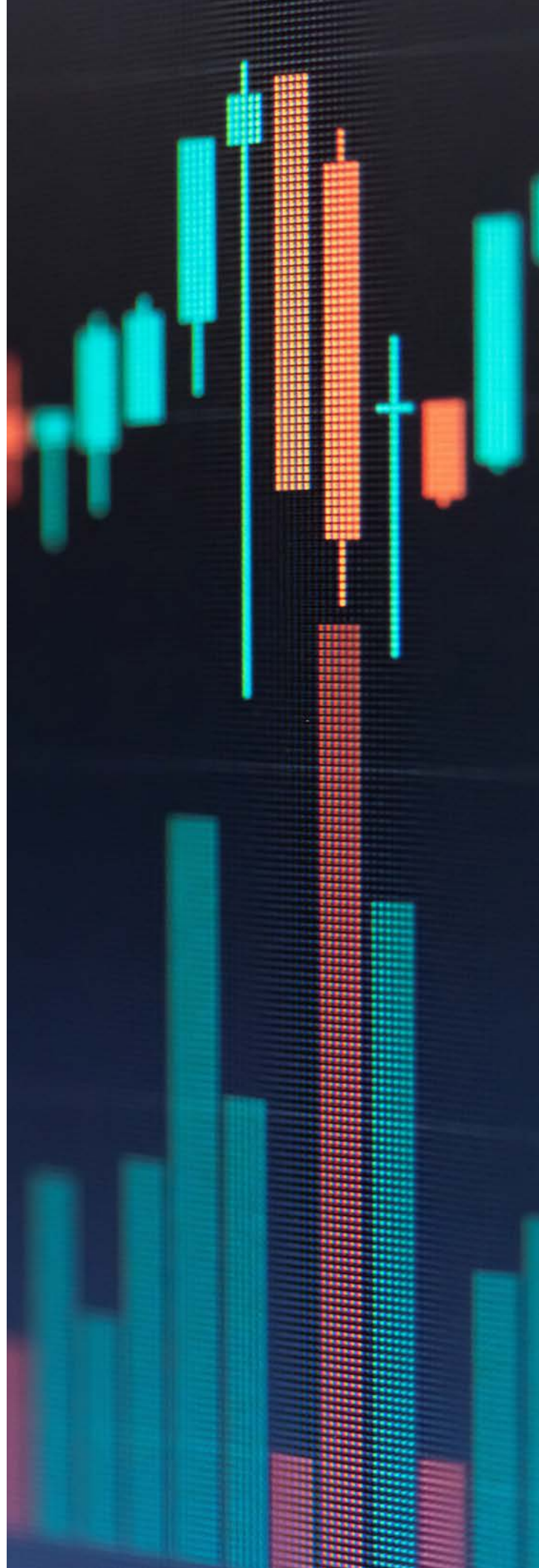




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Most business owners are unable to complete the entire application process online.

With increasing numbers of new business applications, the need to streamline has become more pressing than ever—to both applicants and the government staff managing the process.

Yet, when asked about it, only around a third of business owners said they complete the **entire** application process online from start to finish via their local government's website.

FIGURE 1

How much of the business license application process was completed online?

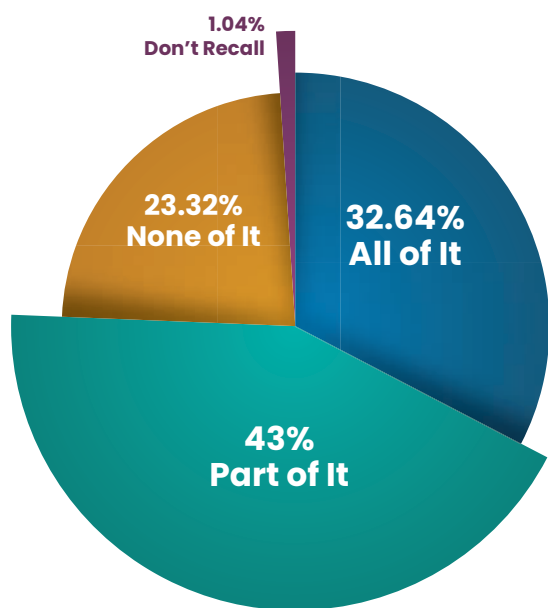
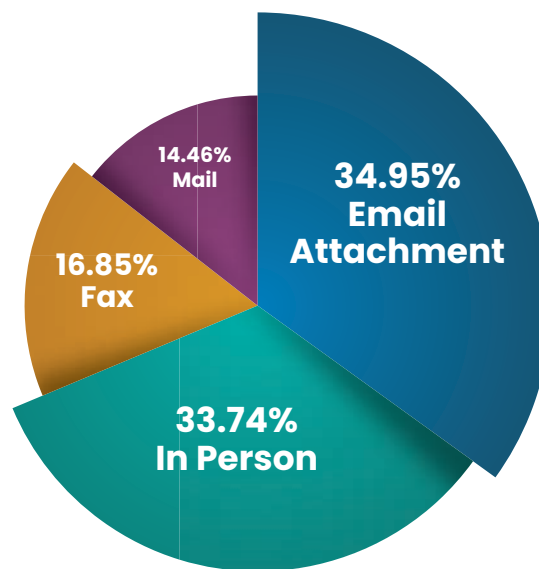


FIGURE 2

While 43% could fill out the application online, the method for how they submitted it to their local government varied:



More than 23% of business license applicants filled out a paper application

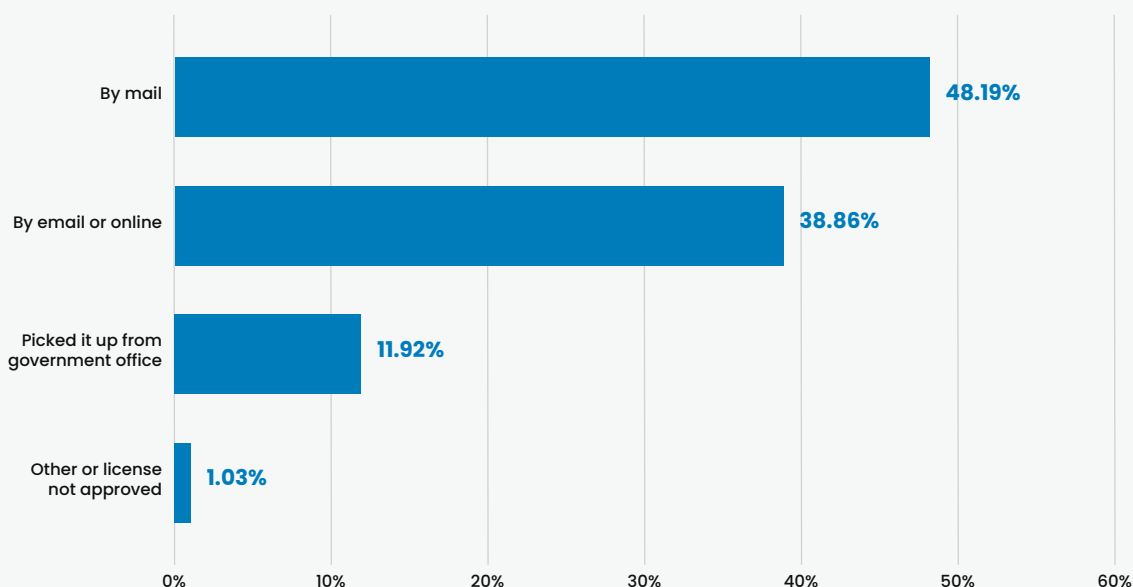
Collecting information on static forms prevents agencies from introducing new efficiencies into the process. Although business information might ultimately be stored in an online database, processing new applications this way requires staff to manually input the data into the system.

Nearly half of all business license certificates are delivered by snail mail.

More than 1 in 4 business owners say the process of applying for a business license is difficult. As we saw in the previous section, many of those who were able to fill out the application online still had to print a copy and take additional steps to complete the submission process. Add to that, the number who filled out paper applications, and we see that **more than half** of all respondents are still mailing, faxing, or submitting applications in person. Once approved, even business certificates are still primarily delivered via snail mail.

FIGURE 3

How did you receive a copy of your business license certificate?



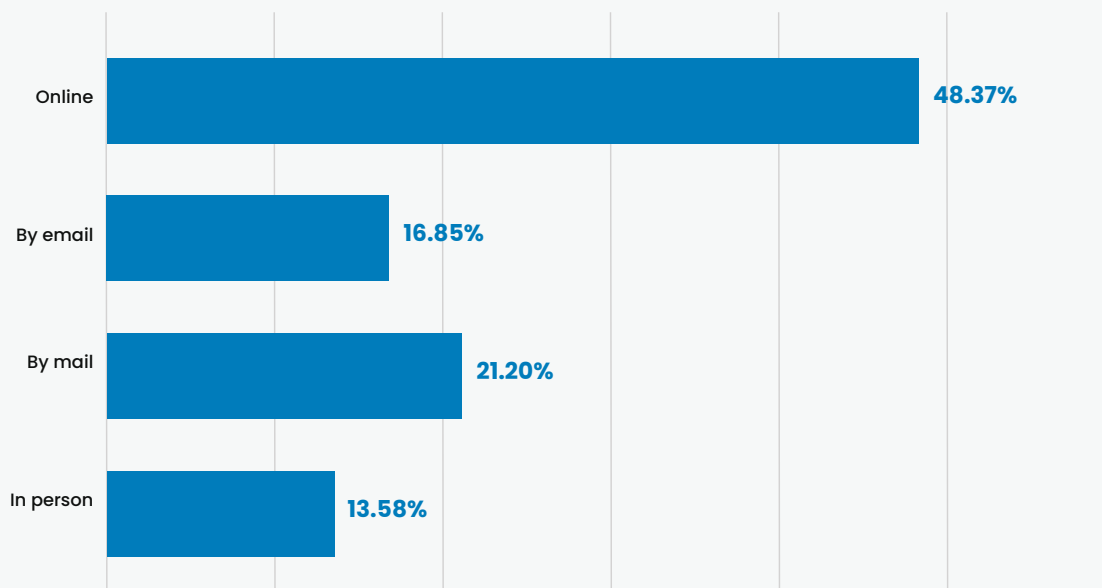
Survey data about the application process highlights an important distinction when it comes to online services—that is, having a copy of the form (e.g., a PDF, Word document, etc.) available to download from the website is not the same as having a seamless online application experience from start to finish.

Not only is the process cumbersome for applicants but it also places an unnecessary burden on the government staff reviewing and processing higher volumes of applications.

Less than 50% of business owners can renew their business license online.

Of the business owners required to renew their license, only 48% said they complete the task online via their local government's website. More than a third of business owners renew by mail or in person, and less than 17% submit their renewal by email.

FIGURE 4
How do you renew your license?



Of those required to pay a renewal fee, a little more than half pay the renewal fee online.

How do you pay renewal fees?



Over 30% of business owners indicated that staying in compliance with local regulations is not easy.

While it's a chief concern for many agencies, maintaining high compliance rates is also one of the most challenging tasks—further exacerbated by the rising numbers of new and existing businesses to license and track.

In our survey, just under 1 in 4 respondents indicated they know where to go to find everything they need and understand exactly what's required to be considered in compliance with local business regulations.

What can local governments do to make it easier?

“

Simplify the process.

Business Owner, VA
(Health Services)

“

Dummied down, straightforward verbiage, links, info, interactive online help.

Business Owner, OR
(Professional Cleaning Services)

“

Provide tutorials on their website and be a lot more clear about everything.

Business Owner, WI
(Arts & Entertainment)

Only around 55% of business owners can file their taxes online.

One of the challenges local governments face when it comes to tax revenue is not only ensuring they have the right collection process in place, but also that they consistently capture the correct amount. This includes all relevant penalties and interest owed by individual taxpayers.

In our survey, we found that more than 40% of those required to remit state or local taxes file by mail or in person. When asked how they determine the amount owed, more than 2 in 3 taxpayers said they **manually calculate** the amount themselves.

Relying on manual estimations, paper checks and hard copies of tax forms can lead to miscalculations, which ultimately means more work for jurisdictions and taxpayers when the incorrect amount is submitted.

FIGURE 5
How do you file taxes for your business?

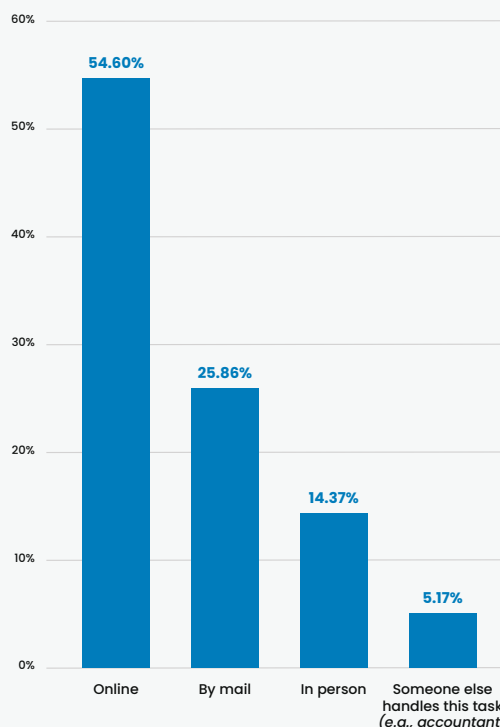


FIGURE 6

Do you have to manually calculate the amount of tax you owe?

(including penalties, interest, etc.)

Yes, I manually calculate the amount due



68%

No, my local government calculates it for me



32%

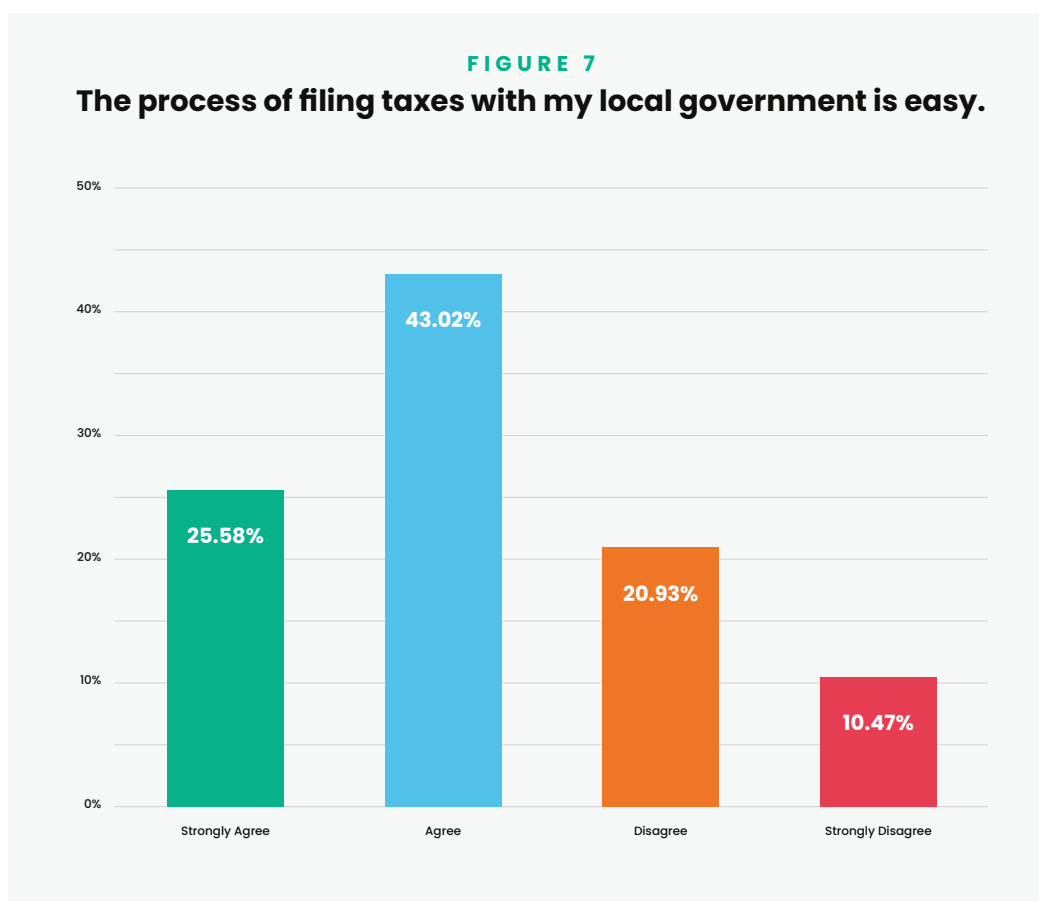
This is where jurisdictions benefit from more efficient and effective processes with online systems that provide 24/7 account access for business owners, automatic calculations, and instant payment submission capabilities. The result? Fewer discrepancies between the amount owed and the amount paid so agencies never have to leave revenue on the table.

More than 31% of business owners find the process of filing taxes with their local government difficult.

Inevitably, a lack of clear instructions—and regular reminders—on how to file business taxes will contribute to missing revenue and lower compliance rates. This is one of the reasons why making tax filing as simple and straightforward as possible is essential.

In our survey results, we found that about 25% of respondents feel strongly that the process is easy—indicating about 1 in 4 local governments are getting it exactly right—while an additional 43% are also in agreement.

However, in a follow-up question, nearly 14% of respondents described the process of filing taxes as “confusing” indicating that, while the numbers are generally encouraging, there are still those who find it challenging to complete what should be a routine task.



More than 64% of business owners believe their government's online tax portal needs improvement.

The demand for self-service capabilities continues to rise with citizens now expecting a certain amount of autonomy when it comes to completing everyday tasks. Looking at technology initiatives launched in the name of modernization in recent years, it's evident that local governments recognize and want to meet these expectations.

Does your local government provide an online tax portal?



According to our survey data, most local governments already provide some sort of online tax portal for business owners. But are the portals sufficient to meet taxpayer needs? The responses to our follow-up questions suggest the answer is generally no.

While most respondents confirmed they have access to a tax portal, more than 64% said the system needs some level of improvement. This includes more than 14% who said it needs significant improvement.

The question then is not simply whether taxpayers have access to a portal but whether the portal provides everything they need to complete the required tasks efficiently.

How would you rate your local government's online tax portal?



Nearly 1 in 4 business owners do not know where to find information about licensing and tax filing.

Ensuring citizens know where to go to learn about license, permit, and tax requirements is fundamental to supporting the business community. For this part of the survey, we explored how business owners feel about access to key information on their local government's website.

On one end was the 23.32% who indicated they do not know where to find what they need; on the other was the 28.5% who felt strongly that **ALL** information is easily found on the website. The remaining responses fell between these two groups, once again indicating a disparity in the sophistication of the online services and how satisfied business owners are with their local government.

While business owners might understand *why* regulations are a part of operating a business, *what* exactly those regulations are is not always made clear. This means that the difference between being in or out of compliance can be as simple as a lack of available—or easily accessible—information.



There needs to be less confusion [about] where to get my forms and it should be explicitly mentioned on their website.

Business Owner, CA
(Financial Services)

Penalty? What penalty?

Almost 27% of respondents said they do not understand the penalties for delinquency.

More than 73% of business owners said their local government communicates with them regularly.

Most survey respondents expressed satisfaction with their local government's communication around renewals, payments and changes to business requirements. The remaining respondents (26.94%) had a neutral or negative outlook around outbound communication efforts.

For many, proactively reaching out to business owners to ensure they are aware of upcoming renewals, payment due dates, and any changes to requirements is central to a successful compliance strategy. This effort also helps jurisdictions increase revenue by making it clear what is required and alleviating some of the unknowns for business owners who might not realize they need to take action or when.

What could your local government do to make the processes easier for you?

“

Communicate with the community.

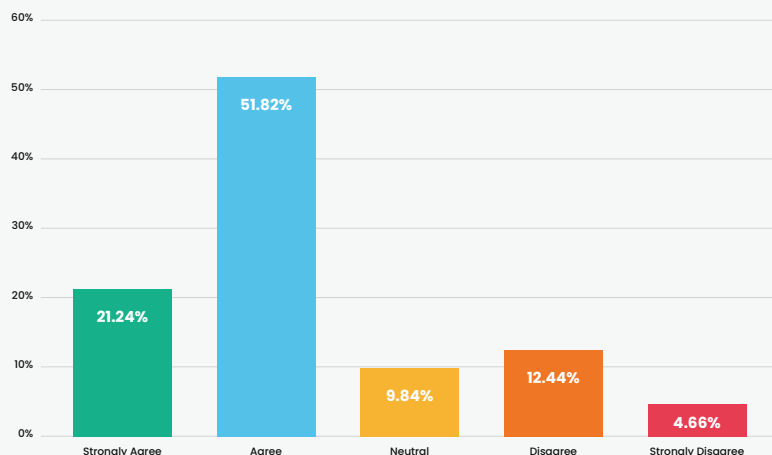
Business Owner, FL
(Construction)

“

More emails and reminders would be helpful!

Business Owner, IL
(Health Services/
Nutrition)

FIGURE 8
My local government communicates regularly to ensure I'm aware of upcoming renewals, payment due dates, and any changes to requirements.



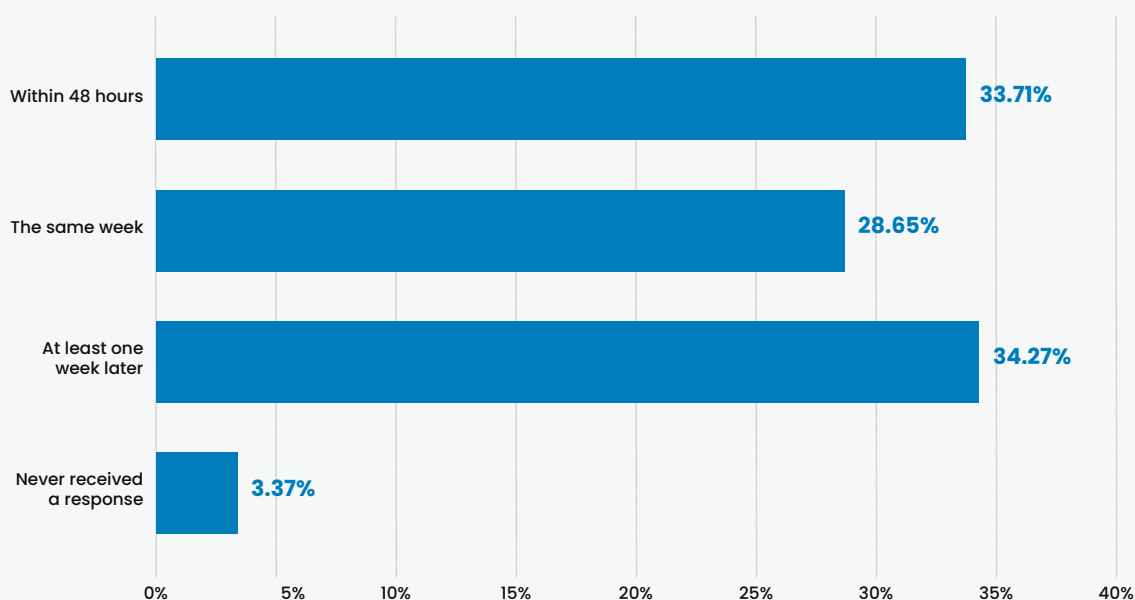
Only around a third of business owners receive responses to their inquiries within 48 hours.

Open and ongoing two-way communication can help strengthen a government's relationship with its citizens. To that end, ensuring all incoming inquiries are addressed quickly demonstrates that business owners have support when questions or issues arise.

When we asked respondents how long it takes to receive a response after submitting an inquiry, the length of time varied. Of those who had contacted their local government in the past, only a small percentage said they never heard back at all.

FIGURE 9

When do you typically receive a response after contacting your local government?



What's needed? For one Tennessee business owner in the health services industry, the need is simple: "Someone to answer questions." While having designated internal staff is not always an option, ensuring a technology provider offers comprehensive support to staff **and** businesses can alleviate some of the pressure, and help ensure the agency meets community expectations.

More than 68% of business owners believe their local government's online services and website need improvement.

The majority of respondents rated their government **at or above average** with respect to their online services, stipulating that there is indeed room for improvement.

Although local governments might have historically lagged behind when it comes to adopting new technology, only a mere 4% of business owners described their online services as “archaic” and deeming the website unhelpful altogether.

An impressive 31% described their local government's services as “modern” and in no need of improvement at all. For those who rated their government's online services highly, the positive sentiment toward the agency was consistent throughout. According to one Florida business owner: “[It] can't get any better.”

How would you rate your local government's online services and website overall?

3.8/5  AVERAGE RATING

So, what kinds of changes are in order for those in need of improvement?

“

Make all information, sheets and flyers from the government available online.

Business Owner, VA
(Legal)

“

[Put] everything online including paying.

Business Owner, AZ
(Real Estate / Leasing)

“

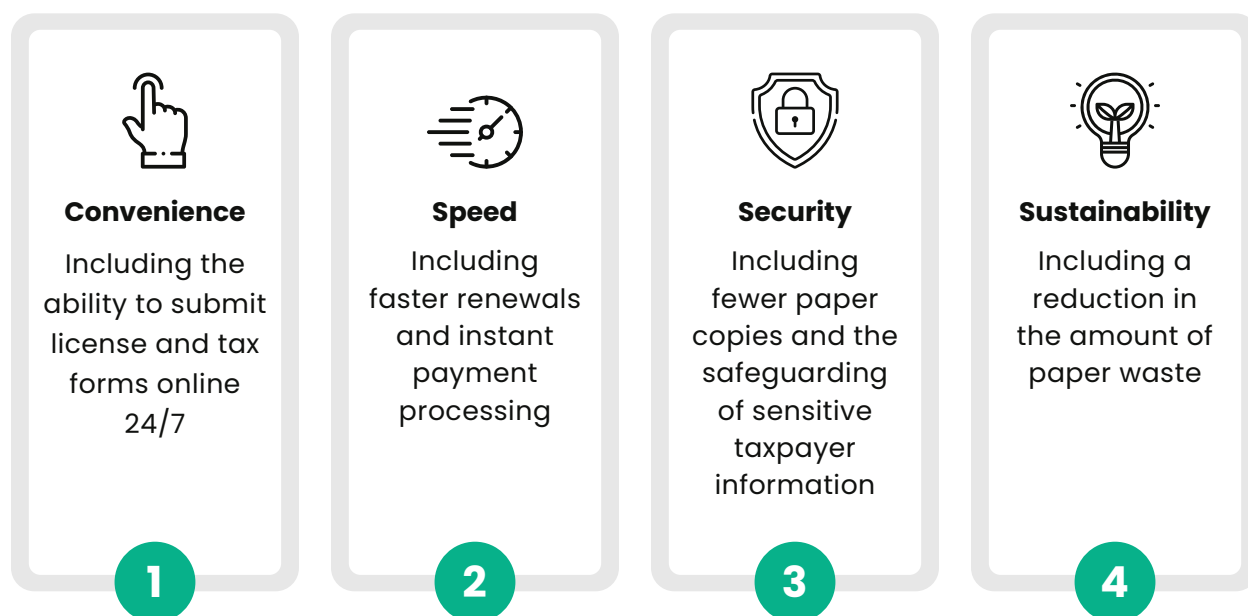
Make sure that everything required in the business year is online.

Business Owner, IA
(Arts & Entertainment)

Business owners cite “convenience” as the #1 reason to have government services online.

Bringing services like business licensing and tax filing online can mark a major milestone, especially for agencies with complex manual steps built into the processes. While continuing to execute tasks manually is not likely to bring operations to a halt, there are many advantages to making processes more fluid with the help of technology.

When asked why it is important to them to have access to online services, convenience was the top response among business owners. This was followed by speed, security, and sustainability. Other reasons cited included having proper records and improved accessibility.



Conclusion

The survey data emphasizes the importance of investing in technology that contributes to creating a thriving local business economy.⁴

With governments at different stages in their journey to bringing services fully online, there's a clear gap in the citizen experience. For some agencies, the convenience of online offerings is still hindered by setbacks of carryover manual processes. This includes steps and tasks that are time-consuming and inefficient on multiple fronts.

For local governments on the path to bringing services fully online—and for those already delivering a more streamlined experience—the satisfaction shows in the positive responses from business owners.

Why is software so important? Beyond communication, compliance, and revenue collection enhancements, software helps solve challenges resulting from a reliance on disparate systems to complete essential business tasks. Arming staff with technology that's configurable and easy to deploy allows them to put their skills to work elsewhere and gives business owners more time to focus on their own priorities—namely, day-to-day business operations.

From those who said their government delivers a modern experience:

“ Everything is easy.
Business Owner, NY
(Retail/Sales)

“ Easy to understand
and [file].
Business Owner, AL
(Food Services)

“ The process is very
easy for me [...] I
don't see a need for
improvement.
Business Owner, FL
(Custom Kitchens)

From those who said the services need improvement:

“ Make the process
more seamless and
up to date.
Business Owner, OH
(Construction)

“ More options for
speaking directly
with staff but [I]
understand many
government offices are
sadly understaffed.
Business Owner, GA
(Wholesale Trade)

“ My local
government could
have everything online,
so I don't have to go
meet them in person
every month. It would
help me save time and
money.
Business Owner, SD
(Manufacturing)

Methodology & References

For this research report, GovOS focused on small businesses located in the United States. Rather than interviewing large corporations, the aim was to better understand the perspective of independent business owners who may not have a depth of resources to pull from for compliance and administrative tasks. These are also the individuals more likely to engage directly with their local government and therefore able to share constructive feedback rooted in firsthand experience.

1. US new business applications hit two-year high in June (<https://www.reuters.com/business/us-new-business-applications-hit-two-year-high-june-2023-07-18/>)
2. New Business Applications Across the Country (<https://www.uschamber.com/small-business/new-business-applications-a-state-by-state-view?state=>)
3. Business Formation Statistics (<https://www.census.gov/econ/bfs/index.html>)
4. Increasing Compliance and Revenue for Government (<https://govos.com/overview-video/>)



Respondent Profile

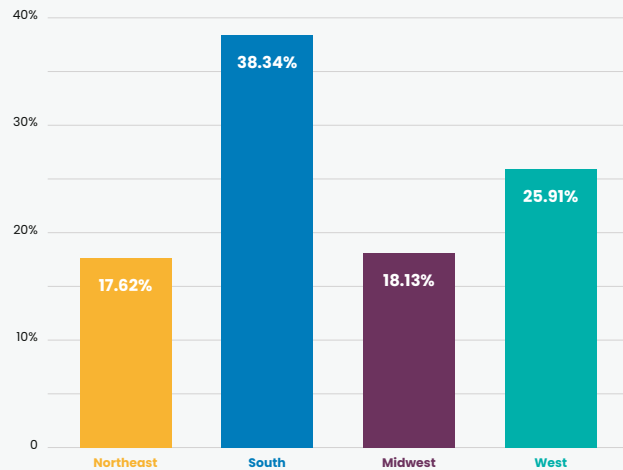
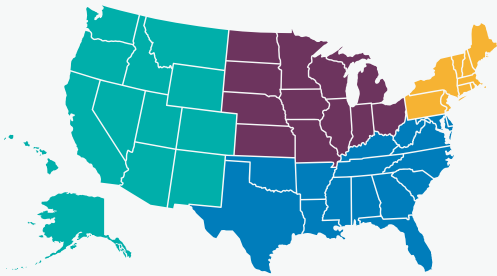
Business owners from more than 25 different industries are represented in this report.

- Accommodation
- Administration
- Advertising
- Agriculture
- Arts & Entertainment
- Beauty & Skincare
- Cleaning Services
- Construction
- Educational Services
- Financial Services
- Food Services
- Health Services
- Hospitality
- Information Technology
- Insurance
- Legal
- Manufacturing
- Mining
- Pet Care Services
- Pharmaceutical
- Real Estate & Leasing
- Retail & Sales
- Shipping
- Transportation
- Utilities
- Waste Management Services
- Wholesale Trade

Respondent Profile

FIGURE 10
Major U.S. Region

Business owners from all four major U.S. regions participated in the survey.



Number of Employees	
Less than 10	40.41%
10 to 49	24.87%
50 to 99	15.03%
100 to 499	12.95%
500 or more	6.74%

Annual Gross Revenue	
Less than \$100,000	37.31%
\$100,000 to \$499,999	31.09%
\$500,000 to \$999,999	18.65%
\$1M to \$5M	9.84%
More than \$5M	3.11%

Age	
18-29	19.69%
30-44	31.09%
45-60	37.82%
> 60	10.88%
No answer	0.52%

Gender	
Female	52.85%
Male	46.63%
Prefer not to answer	0.52%
Non-binary	0%
Gender not listed	0%

The responses in this report are based on 193 responses from businesses across the United States.



Who We Are

GovOS is a leading provider of transaction and compliance software for state and local governments to streamline property, licensing, and tax interactions with businesses and citizens. Headquartered in Austin, Texas, GovOS serves more than 800 government agencies across the United States. With the company's secure suite of cloud-based solutions, governments can maximize revenue, increase compliance, reduce costs, and meet constituent demand for modern, self-service transaction and payment services.