

# Economic Vitality

## Indicator 3: Increase Percentage of Profitable Businesses

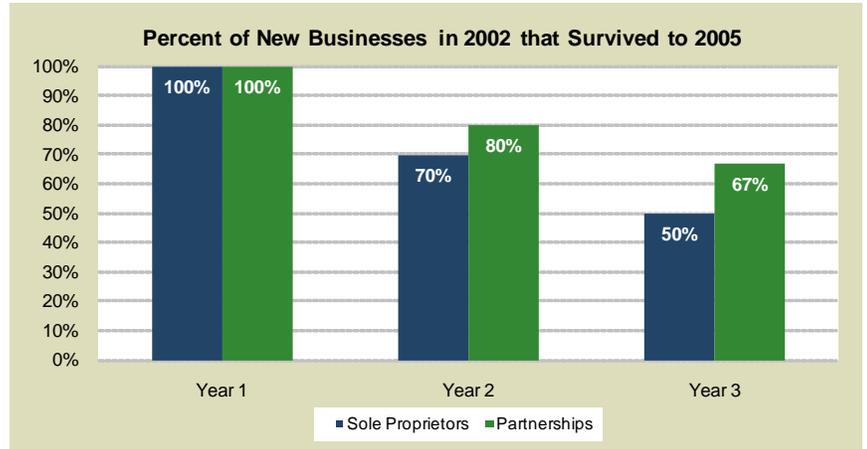
### Measure a: Percent of New Businesses That Survive the First Three Years

#### Description:

New businesses are those that registered with the Department of Revenue and reported income in 2002. By the end of 2004, 50 percent of sole proprietors and 67 percent of corporations, partnerships and LLCs survived (continued to report income).

The first three years of a firm's life are critical, the rate of failure is highest in this period. New businesses are an important part of economic growth. In addition to creating jobs, successful new businesses are an important vehicle for adopting new technologies and innovations. Business closures could mean personal tragedy for the entrepreneur involved. A high level of business closure could discourage future entrepreneurship. However, some level of business closure is natural in competitive markets and can contribute to a more efficient economy.

Half of sole proprietors and a little over two-thirds of other firm types (corporations, partnerships and sole proprietors) survive beyond the third year.



	Year 1	Year 2	Year 3
Sole Proprietors	100.0%	70.0%	50.0%
Partnerships	100.0%	80.0%	67.0%

#### Sources:

Small Business Survival, A Joint Report to the Governor, GMAP October 5, 2007. Department of Revenue, excise tax data 2002 through 2005.

#### Data Source:

[Department of Revenue, Excise Tax Data](#)