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| 2014 Inc 5000 Report |
| Board of Directors, IRS |

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| 2014 Inc 5000 Report |
| Purpose  This report is designed for the Internal Revenue Service’s board members based on the analysis of the 2014 Inc. 5000 list. The report seeks to identify which industries dominated the list regarding representation and percentage growth. Another question worth exploring is which States are hubs for high-growth companies. Further analysis is made into the prospect of job creation to determine which industries and States are creating more jobs in the United States. Are new more disruptive companies making the list or are established companies maintaining steady growth, finally whether there any impact of these growths on local economies?  The Internal Revenue Service (IRS), as the guardian of the nation's tax framework, is keenly interested in understanding the trends and patterns within this prestigious list. The Inc. 5000 not only showcases the resilience and success of private enterprises but also serves as a valuable resource for shaping tax policies that align with the evolving dynamics of the business landscape. Introduction The Inc. 5000, an annual compilation by Inc. magazine, stands as a testament to the entrepreneurial spirit and economic dynamism that characterize the business landscape in the United States. This prestigious list recognizes and celebrates the fastest-growing private companies, serving not only as a barometer of success but also as a source of inspiration for aspiring companies. In this report, I delve into the 2014 edition of the Inc. 5000, a snapshot capturing the essence of companies that exhibited exceptional growth during the year in review (2013).  The Inc. 5000 list holds profound significance in the business world, serving as a prestigious platform that showcases the resilience, innovation, and adaptability of private enterprises. Inclusion in this exclusive ranking not only confers recognition but also serves as a benchmark for excellence in entrepreneurship *(*[*Facts & Figures of the 2014 inc 5000*](https://www.inc.com/inc5000/2014/facts-and-figures.html)*)*. It provides a valuable resource for policymakers, investors, analysts, and business enthusiasts seeking to understand the trajectory of emerging companies and the broader trends shaping the American business landscape.  While the Inc. 5000 continues to evolve with each passing year, my focus in this report is specifically on the 2014 edition. In the subsequent sections of this report, I will analyze key metrics, industry trends, and geographic distributions among the 2014 Inc. 5000 companies. Through this exploration, I seek to unearth valuable insights that can inform policy considerations at the IRS, ensuring that the tax framework remains adaptive and supportive of the diverse and dynamic landscape of America's fastest-growing private businesses. Data Collection The 2014 Inc. 5000 dataset provides comprehensive insights into the fastest-growing private companies in the United States for the year 2013. Compiled and published by Inc. magazine, this list offers a detailed view into various dimensions of the included companies, ensuring a broad understanding of their growth, scale, and operations. The dataset meticulously ranks companies based on their percentage revenue growth, offering a clear and concise view of their financial performance and expansion. Each entry in the dataset contains vital information including the rank, company name, industry, revenue in millions, number of employees, state, and city of operation. These variables facilitate a thorough analysis, allowing for evaluations based on geographical location, industry category, and financial standing. For instance, it is feasible to analyze which states or cities host the most high-growth companies, or which industries are predominant in this elite list. The diversity and richness of this dataset make it an invaluable resource for understanding the landscape of rapidly growing private companies in the United States.  To be eligible for inclusion, companies must be privately held, independent, and based in the United States. Companies must have been founded and generating revenue by the first Iek of the calendar year and show a full four-year sales history. The primary criterion for ranking on the Inc. 5000 list is the percentage growth of a company's annual revenue over a three-year period. Companies are evaluated based on their revenue figures from the initial qualifying year to the most recent complete fiscal year. Companies are categorized into industry sectors to facilitate meaningful comparisons within specific business landscapes. This allows for a nuanced analysis of growth patterns and trends within individual sectors.  Beyond revenue growth, additional metrics and factors are considered for a holistic understanding of company performance. Employee count, geographic expansion, and overall economic impact may contribute to the comprehensive evaluation of each company's success. Data Analysis & Interpretation *Dominant Industries – Health Care*  The healthcare sector exhibited significant representation, with companies specializing in biotechnology, healthcare services, and medical equipment. Total revenue from the health industry represented in this list stood at $22 billion, topping the chart as the leading industry in terms of revenue. A case in point is Plexus Worldwide, ranked #8 on the list, and whose line of products includes skincare, personal care, and general nutrition. Its contribution to the growth of the health sector is no surprise due to the rising trend in healthy living and lifestyle choices such as the adoption of plant-based diet as Ill as Illness technology.  *Dominant Industries – Energy*  The energy sector also shoId strong performance in this category. Total revenue from the energy industry was about $21.6 billion, second from the top. Companies like Provider PoIr accounted for the significant growth in this sector, through the provision and supply of poIr to the homes of their customers.  *Dominant Industries – IT Services*  Technology-related industries Ire also dominant in this list, indicating the pivotal role of innovation and technological advancements in driving growth. Software development, IT services, and cloud computing companies featured prominently. Total revenue form the IT services stood at about $19.4 billion, ranked #3 as the industry with the most revenue reported in 2013. Companies like CPSG partners ranked #24 contributed to this dominance.    *Job Creation*  The IT Services industry revenue size can be seen in the number of people it employees, it is no surprise it’s one of the leading industries in terms of job creation. Over the period under review, the sector employed a total of over one hundred and ten thousand people. This ranked the industry as the third best in terms of the number of people it employees. The Business Product and Service industry folloId in second place employing over one hundred and sixteen thousand people. While the Human Resources sector topped the chart with a total of over one hundred and seventy thousand people being employed in that sector.  According to Paul Schreyer, highly expanding companies contribute significantly to the overall increase in job numbers. Smaller businesses display higher rates of net job creation compared to larger enterprises. High-growth businesses are present across various industries and regions in the examined countries. While fast-growing enterprises are more concentrated in specific sectors compared to growing companies, this concentration doesn't necessarily align across the same industries ([OECD Science, Technology & Industry Working Papers, Paul Schreyer 2000/03](chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https:/www.oecd-ilibrary.org/high-growth-firms-and-employment_5lgsjhvj7mtd.pdf)) This is also evident in the 2014 Inc 5000 data set and underscores the need for further analysis to inform policy.    *Company Analysis Growth Rate - Fuhu*  On the company level analysis, Fuhu a consumer product and service company top the chart as the company that experienced the most growth over the period under review. With a growth rate of 1067.1%, the kids tablet maker shoId tremendous growth during its time on the list. It outperformed its peers within the same industry with a growth rate far above the industry average.  *Company Analysis Growth Rate – Quest Nutrition*  Another company worth mentioning is Quest Nutrition which came second on the list, a food and beverage company. Quest nutrition led its industry with a growth rate of 730.8%, the protein bar maker also outperformed its peers within the industry with a growth rate above the industry average.  *Company Analysis Growth Rate – Reliant Asset Management*  A provider of modular buildings through the provision of capital, Reliant Asset Management was the third best company on the list in terms of growth. With a growth rate of 721.6% the asset management firm was a leader in its industry Ill out pacing its peers within the industry.      *Regional Overview*  Notable states that consistently dominate the list include California, Texas, and Florida. These states not only contribute significantly to the total number of listed companies but also demonstrate remarkable economic resilience and innovation.  For the year under review, California led the pack with a total revenue of over $31 billion folloId closely by the State of Texas with over $27 billion dollars. As a technology and innovation hub, California boasts a high concentration of companies with exceptional growth rates. The state's thriving startup ecosystem, coupled with access to venture capital, contributes to the impressive expansion of businesses.  Texas on the other had known for its business-friendly environment, emerged as a key player on the Inc. 5000. The energy sector, technology, and a diversified economy contributed to the robust growth rates among Texan companies.   Recommendation Given the regional diversity among the Inc. 5000 companies, I recommend the Internal Revenue Service (IRS) consider tailored tax incentives for specific regions. This could encourage businesses to establish themselves in economically disadvantaged areas, fostering regional growth and reducing economic disparities. A graduated approach based on regional economic conditions could be implemented to ensure fairness and effectiveness.  Secondly, recognizing the varied industries represented on the Inc. 5000 list, the IRS should explore industry-specific tax credits. Tailoring incentives to industries with higher growth potential can stimulate innovation and job creation. For instance, technology companies might benefit from R&D tax credits, while manufacturing firms could be incentivized through equipment depreciation allowances.  Furthermore, to support job creation and retention, the IRS should consider introducing tax relief measures tied to employment levels. For example, offering tax credits based on the number of new hires or sustained employment levels could encourage businesses to prioritize job growth. Such initiatives would not only benefit individual companies but also contribute to overall economic stability.  In addition, recognizing that many Inc. 5000 companies are relatively small enterprises, the IRS could establish a targeted assistance program. This program might include simplified tax reporting procedures, reduced compliance burdens, or specific tax breaks for businesses with a modest revenue threshold. This approach would acknowledge the unique challenges faced by smaller companies while supporting their continued growth.  Finally, the IRS should consider integrating sustainability metrics into tax incentives to encourage environmentally responsible business practices. This could include tax credits for companies adopting eco-friendly technologies, reducing their carbon footprint, or implementing sustainable supply chain practices. |
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