

# The Avalara Accountants SMB Confidence Report 2025

## *The Outlook from Main Street*

### **Full Report**

**CPA Trendlines Research**

May 2025

Delivered with four spreadsheets of raw survey results, marked Wave 1 of 2 and Wave 2 of 2, a draft submitted PR-News article, and a Summary Deck.

For more in-depth analysis, this report should be read in conjunction with the raw data contained in the spreadsheets.

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## Executive Summary

Coming off the busy 2025 tax filing season, U.S. accountants are decidedly bearish on the outlook for small and medium-sized businesses, according to the annual Avalara Accountants Confidence Report.

This report presents survey-based findings from 623 accounting and tax professionals, capturing their forward-looking sentiment, sector expectations, and client advisory perspectives over the next 12 to 18 months.

The professionals represented in this report are the backstop for the nation's small and mid-sized businesses. They run P&Ls, prepare the taxes, and cut payroll checks for some 166,730 U.S. businesses. They are the local, independent firms that dot the Main Streets of America. We call them "Main Street" firms.

## About the Study

The survey was fielded in waves from November 2024 through April 2025 by CPA Trendlines Research to a proprietary database of practicing tax, accounting and finance professionals, including CPAs, bookkeepers, tax professionals, and business advisors. CPA Trendlines Research collected surveys directly by email invitation and via social channels. Respondents were incentivized by offering a "topline executive summary of the results." Overall margin of error: 3-5 points at a 90% confidence level.

## Top Line Conclusion

The Main Street accountants finished on April 15 with 24.9% expecting improvements in business conditions over the next 12-18 months, 11.1% expecting no change, and 64% expecting worse conditions, for a net balance (positive minus negative responses) of negative 39.1%.

## Key Findings

- **Confidence Plummets:** From November to January, 46.6% of Main Street accountants predicted improving SMB conditions. By April, that figure dropped to 24.9%, while 64.0% now expect worsening conditions — a net sentiment collapse of over 58 percentage points.
- **Polarization Intensifies:** The proportion of respondents anticipating "no change" dropped from 26.1% to 11.1%, indicating rising polarization and reduced economic confidence.

## Top Concerns for SMBs (Ranked)

1. Inflation, Costs, and Pricing
2. Tariffs and Trade Uncertainty
3. New and Pending Tax Legislation
4. Labor Supply and Wage Pressures
5. Access to Capital
6. Federal Budget Cuts and Institutional Risk
7. A.I., Technology Transformation, and
8. M&A Activity

## Open-Ended Verbatims Reveal

- Widespread concern about inflation's impact on costs, pricing strategies, and hiring.
- Anxiety over tax code uncertainty and the advisory implications for practitioners.
- Deep skepticism toward government effectiveness and policy volatility.
- Varied A.I. opinions. Some view it as transformational. Others see it as an operational burden.

## Sector Outlook

- **Top Sectors:** Professional Services (79.2%), Technology (69.1%), Healthcare (45.0%)
- **Emerging Confidence:** Energy, Manufacturing, and Agriculture posted the biggest sentiment gains between Q4 2024 and Q2 2025.

## Fee and Client Engagement Metrics

- **Total Business Clients Reported:** 166,730

## Best Advice for SMBs

- Preserve cash and limit debt
- Monitor costs and economic signals
- Modernize operations and invest in tech
- Focus on client and employee retention

## Methodology & Sample Profile

This report is based on a structured survey of 623 verified accounting professionals conducted by CPA Trendlines Research for Avalara between November 2024 and April

2025. Respondents were drawn from a proprietary database of U.S.-based practitioners, including CPAs, EAs, tax preparers, bookkeepers, and business advisors across firm sizes and specialties. The research methodology included:

- **Fielding Approach:** Direct email invitations and verified social channels
- **Response Incentive:** Access to a topline executive summary
- **Confidence Level:**  $\pm 3\text{--}5\%$  margin of error at a 90% confidence level
- **Total Qualified Responses:** 623
- **Fully Valid for Fee/Client Analysis:** 413 respondents

## Respondent Profile Highlights

- **Type of Firm:**
  - 94.3% Public Accounting / Tax / Advisory
- **Firm Size by Staff Count:**
  - 65.6% from firms with up to 10 persons
- **Position:**
  - 69.1% C-suite (CEO, MP, President, COO)
- These demographic indicators confirm the study's representativeness across the SMB-focused accounting profession, with most respondents positioned as primary decision-makers and client-facing advisors.

## Strategic Implications

The data reflect more than just economic sentiment—they highlight emerging stress fractures and strategic inflection points across the SMB advisory ecosystem. Key strategic takeaways include:

- **Shift from Growth to Defense:** Advisors are telling clients to conserve cash, manage risks, and avoid non-essential expansion in the near term.
- **Uncertainty as a Central Constraint:** The lack of predictability—across tax, trade, and monetary policy—is cited as a major barrier to business decision-making and investment.
- **Pricing Pressure & Staffing Shortages:** Compressing margins while increasing compensation demands, particularly in competitive and rural markets.
- **Technology as a Double-Edged Sword:** While A.I. and automation are driving interest and investment, many SMBs feel overwhelmed by the pace of change and complexity of implementation.

- **Sectoral Rotation in CPA Focus:** Accountants are increasingly aligning their attention toward professional services, healthcare, and energy—sectors that promise certainty.

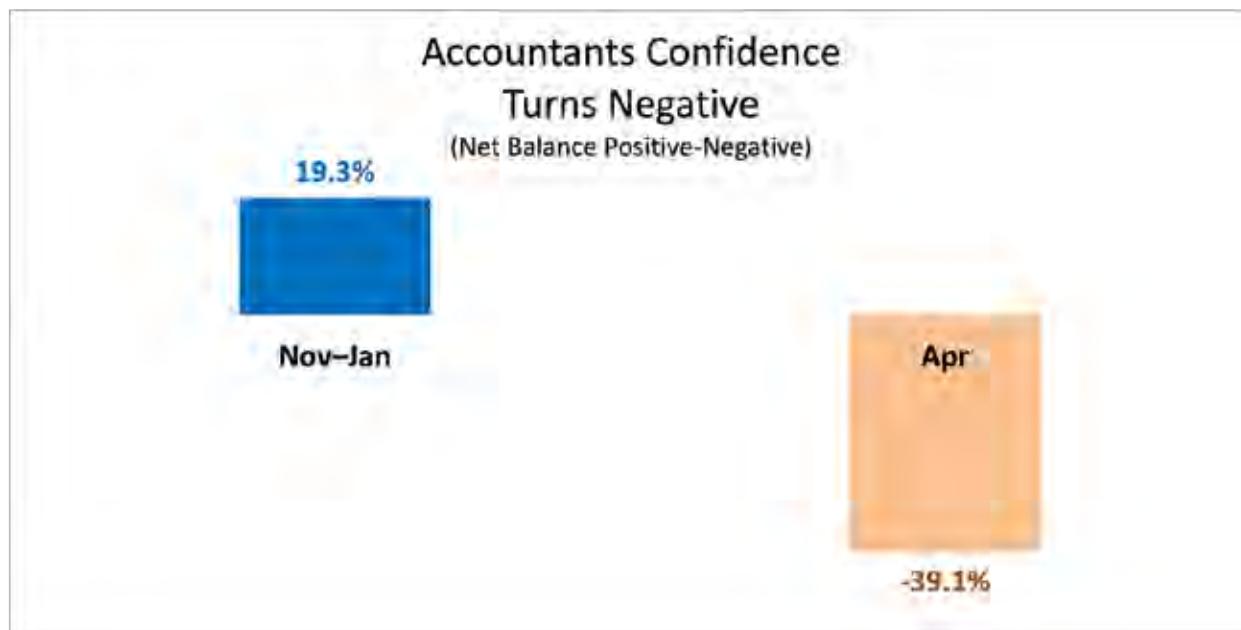
## Confidence

The Avalara Accountants Confidence Report offers a unique view into the economic outlook, operational pain points, and forward strategies of nearly 158,000 small and midsized businesses, filtered through the trusted advisors who know their finances best.

If confidence is a leading indicator, the profession's current skepticism signals turbulence ahead.

## The Decline in Confidence

Accountants started their annual crunch period optimistically, with responses from 176 accountants in November through January showing 46.6% projecting better conditions for SMBs and 27.3% worse, for a net balance of a positive 19.3%.



Period	BETTER	NO CHANGE	WORSE	Total	Net Balance	% Better	% No Change	% Worse
Apr 2025	81	36	208	325	-39.1%	24.9%	11.1%	64.0%
Nov 2024 – Jan 2025	82	46	48	176	+19.3	46.6%	26.1%	27.3%
<b>n =</b>	<b>163</b>	<b>82</b>	<b>256</b>	<b>501</b>				

But by the end of April, sentiment among another 325 accountants had reversed, with net balance scores of negative 39.1% for the month.

Notably, opinion emerges as markedly polarized, with the steep decline of centrist "no change" answer declining from 26.1% of responses to 11.1%.

The accountants' outlook on the U.S. mirrors their view for SMBs, with April sentiment coming in at 21.5% positive (down from 47% in the period ended in January), 60.6% negative (up from 26.7%), and 17.9% no change (down from 26.1%), for a net balance of negative 39.0.

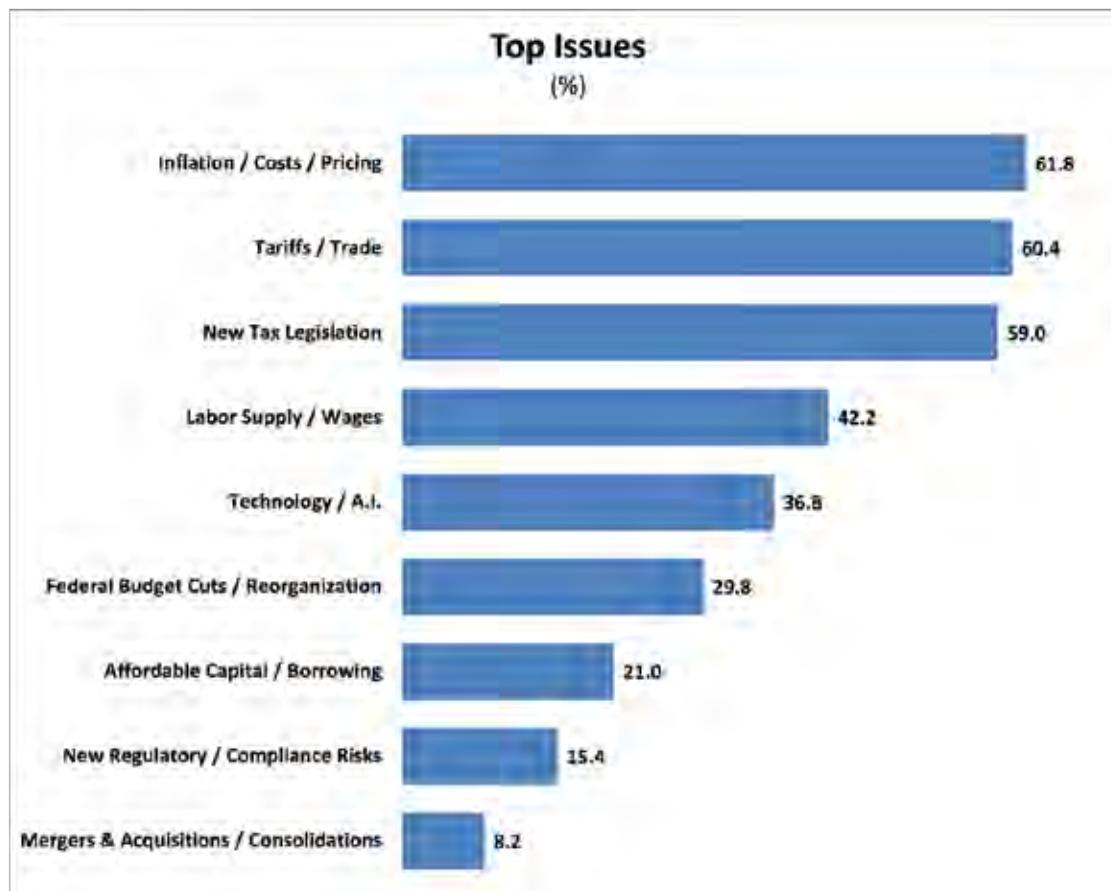
## Top Issues

Asked to check the most important issues for SMBs over the next 12-18 months, accountants were offered the following options:

- Affordable Capital / Borrowing
- Federal Budget Cuts / Reorganization
- Inflation / Costs / Pricing
- Labor Supply / Wages
- Mergers and Acquisitions / Consolidation
- New Regulatory / Compliance Risks
- New Tax Legislation
- Tariffs / Trade
- Technology / AAI

**Emerging as the top issues, results show accountants are concerned most about (almost equally):**

- Inflation / Costs / Pricing
- Tariffs / Trade, and
- New Tax Legislation



## Textual Analysis of Open-Ended Quotes: Which Issue Is Most Important? Why?

The qualitative responses reveal deep and layered concerns, primarily centered on legislative change, uncertainty, market pressures, and cost dynamics.

### The Key Themes

**1. Tax Legislation & Policy Uncertainty -- Most frequently cited issue.** Disruptive impact of new or proposed tax laws on client planning, advisory work, and strategic decision-making:

-- *"New tax legislation: the unknown makes it very difficult to advise clients, or to plan ahead for multi-year tax strategies."*

-- *"New tax legislation - we'll have more questions from clients than answers."*

Several practitioners expressed anxiety over specific policies (e.g., IRC §163(j), R&D amortization rules) and legislative inaction. There's a consensus that stability and clarity in tax are essential to business confidence.

**2. Inflation, Costs, and Pricing -- Second most dominant concern** — particularly labor, technology, and compliance expenses — are widely viewed as unsustainable:

-- *"Inflation, pricing, cost. Affects or is affected by all the other issues."*

-- *"Inflation is causing many businesses to scale back — i.e., less expansion, fewer employees."*

Many link inflation, federal budget, tariffs, and wage inflation. Pricing strategy emerges as a core challenge, especially in rural or highly competitive markets.

**3. Labor Supply, Wages, and Staffing -- Consistently raised across quotes.** Chronic shortage of qualified, competent staff is threatening business operations and service delivery:

-- *"Labor-there's none available!"*

-- *"Labor is a constant challenge."*

-- *"Clients are already balking at price increases driven by labor costs."*

Some respondents suggest technology as a remedy for the labor shortage, but only as a short-term solution.

**4. Tariffs, Trade, and Global Volatility -- Strong emotional and economic concern.** Tariffs were viewed both as an inflationary driver and a geopolitical risk:

-- *"Tariffs: the ripple effect on the global economy!"*

-- *"Tariffs/trade... will cause or worsen the rest [of the issues]."*

Specific allusions to the Smoot-Hawley Act and modern trade wars reflect fear of recession and prolonged economic drag.

**5. Federal Budget Cuts & Institutional Dysfunction -- Many quotes express skepticism** toward government stability, linking budget cuts to reductions in services (e.g., IRS responsiveness, school funding):

-- *"Federal budget cuts will have a serious negative effect on the economy in my city."*

-- *"Concerned that IRS will be less available for communications."*

Others viewed cuts as overdue, but feared their implementation was politically destabilizing.

**6. Technology / A.I. and Consolidation-- A bifurcation appears:** Some see A.I. as see as transformative. Others are overwhelmed:

-- *"AI – We are so far 75% automation firm. Going for 90% this year."*

-- *"As a sole practitioner, it's exhausting to keep up with tech evolution."*

M&A was also flagged, not just in the profession but across client industries, signaling consolidation pressure on mid-tier firms.

**7. Overarching Theme: Uncertainty --** Several responses use the word "uncertainty" explicitly, across tax, budget, inflation, or trade:

-- *"Uncertainty in the economy makes everyone pause. Just hope it's not too long."*

## Observational Notes

**Emotive Language:** Strong terms like "travesty," "dictatorship," "foolish," "shame," "idiot," show heightened political and emotional engagement, signaling distress beyond technical business or financial concerns.

**Interconnected Concerns:** Many respondents draw direct causal links between policy, inflation, staffing, and client behavior.

**Professional Role Pressure:** Respondents felt the burden of being both technical experts and emotional anchors for clients, under unstable conditions.

## Top Issues -- Sample Verbatim Comments

- *Issues Verbatim*
- *New tax legislation: the unknown makes it very difficult to advise clients, or to plan ahead for multi-year tax strategies.*
- *Labor Supply*
- *New tax legislation. It affects everything we do.*
- *tax legislation. impacts our planning and decision making*
- *Inflation/Costs/Pricing - In a small town with multiple CPAs, EAs, Tax professionals, pricing is important. Charging the right price is more important to ensure we make a profit over the increasing costs we are facing.*
- *Federal budget cuts will impact jobs throughout the country. Both the federal employees and trickle-down job losses*
- *The tax bill because of the ramifications to everyone's business and planning.*
- *Labor Supply. No workers means I'm working more.*
- *Costs apply to all business*
- *Tariffs*
- *Taxes*
- *My major clients are adversely affected by the effect of tariffs*
- *New tax legislation depending on the way it is communicated to the people always creates issues with clients*
- *labor supply and wages*
- *reduce the cost to compete other tax preparers*
- *tariffs because of the coverage*
- *Inflation-affects cost of goods & gross sales*
- *Inflation - For SMB's this will be the biggest negative driver*
- *AI*
- *There is a lot of uncertainty in the markets and economy, that will hurt business*
- *Labor needs*
- *Borrowing: Loans and mortgages have been far too restrictive since 2013/2014.*
- *Tariffs affecting the economy overall.*
- *Inflation...and Labor costs increases.*
- *creates uncertainty*
- *Labor supply/Wages—we're in a rural area where there isn't a lot of young to middle aged professionals. I'm starting to look beyond our local communities for talent.*

- *Tariffs. The Smoot-Hawley Act in 1930 which brought in a lot of tariffs made the Great Depression much worse than it needed to be. I fear Trump may do the same before he is out of office.*
- *I believe Inflation/Costs/Pricing is the most important, because tariffs/trade and federal budget cuts trail into inflation/costs/pricing. One of my clients (an architect) had three projects put on hold as the clients are federal employees who are concerned that they might be losing their jobs. I was talking with the client and he's going to take a pay cut so he doesn't have to lay off staff. However, if this environment continues/gets worse he will need to lay off staff.*
- *Inflation*
- *Labor supply and wages. Workers are at an advantage requiring higher wages, increased benefits & time off while producing lower quality work / and less productivity - which drives prices up and causing those same people (workers) to complain about higher prices.*
- *Need tax cuts now!*
- *Inflation is causing many businesses to scale back - i.e. less expansion, fewer employees.*
- *labor supply/wages*
- *Capital*
- *Tariffs/Trade based on supply chain disruption, we think clients with weaker balance sheets will not survive.*
- *Inflation, costs and pricing. Software and use of AI continue to increase the price of their services well above inflation and trying to pass that cost on to customers is hard.*
- *The media has a very strong influence on how consumers feel. More than anything, what's in the news will effect businesses overall*
- *I'm afraid that Tariffs if fully implemented will ultimately increase prices, fuel inflation, and destroying demand.*
- *Labor supply*
- *new tax legislation will provide a platform for advisory work with clients. AI is important but I don't see advancing fast enough to shift fundamental workflows in the next 12 months. mergers and acquisitions will affect local markets*
- *What is happening in Washington D.C. is a travesty and someone needs to STOP the executive branch. it's too difficult to say what will happen, but none of it is good. I do not want to live in a DICTATORSHIP.*
- *The economy and its effect on the country*
- *inflation. all prices too high.*

- *Pricing because that drives all issues*
- *Labor costs. Clients are already balking at price increases*
- ***TECHNOLOGY ENHANCEMENTS ARE GREAT FOR EFFICIENCY BUT IMPROVEMENTS ARE NOT WELL UNDERSTOOD BY THE CLIENT COMMUNITY AND REQUIRE THE PROFESSIONAL PREPARER TO BE AN EDUCATOR OF TECHNOLOGY***
- *Tariffs/Trade and the effect on the market.*
- *Fed cuts*
- *New Tax Legislation*
- *New tax legislation*
- *The national debt, not being talked about but need to be addressed.*
- *Labor supply ... hard to get qualified employees*
- *probable new legislation, who knows what it will be?? its all a mess*
- *New Tax Legislation*
- *Tariffs*
- *New tax legislation*
- *Trump & Doge are the biggest issues and roadblocks that are inflicting unnecessary wounds.*
- *Inflation costing more and more.*
- *Tariffs-inflation*
- *Merging/selling my practice*
- *Tariffs/Trade the might impact overall consumer spending*
- *Tariffs have to be resolved for the good of the economy and free enterprise.*
- *New tax legislation - It will show that Congress can get something done. If they can make a lot of it permanent, it will reduce the volatility of this issue. One can only hope that they use a large measure of common sense in the law - get rid of 163(j), and the current R&D rules.*
- *Donald Trump is an idiot and makes the U.S. look foolish with on again, off again tariffs. Someone needs to explain that tariff=tax.*
- *Tariffs*
- *Inflation & inflation of goods due to tariffs.*
- *It will have a ripple impact through many others areas*
- *all three are intertwined with none most "important" but if i had to say it would be tariffs/trade*
- *Continued cutting of the bloat is long overdue and encouraged*
- *Inflation which may or may not be caused by tariffs and supply issues. It will also affect labor.*
- *Inflation - hurt a lot of people*

- *affordable capital, economic uncertainty has caused investors to sit on their capital or charge toxic returns to make it available to businesses*
- *Federal Budget cuts. Concerned that IRS will less available for communications*
- *New Tax Legislation. Drives what happens with the rest.*
- *Tariffs. Will cause higher prices.*
- *Costs*
- *Inflation/Costs because of same or less money and costs are higher*
- *Inflation / Costs / Pricing; Our country is run by a Chief Executive whose sole allegiance is to himself. He has minimal interest in anything other than his own personal power acquisition.*
- *Tariffs pose the largest risk which can crash the economy and trigger economic crisis and recession.*
- *Tariffs - unknown financial implications*
- *Federal reorganization - unpredictable and chaotic; business conditions expected to worsen as a result.*
- *Tariffs are a big concern.*
- *New tax legislation. A lot of new information to learn.*
- *Potential tariffs implementation. Could wreak havoc with the stock market and inflation and overall confidence in the business world.*
- *Shortage of accountants*
- *It's a toss between new legislation and Tech. New tax legislation is always a concern, especially when the change requires us to undertake additional, convoluted work that clients do not value or expect to pay extra for. As for the technology, it is exhausting to stay up to date with its constant evolution. With the wide range of applications for AI, the pace and complexity of new offerings have increased dramatically. As a sole practitioner, it falls to me to review new offerings and determine if they are worth implementing.*
- *There is a lot of economic uncertainty as a result of the current administration's policies. Therefore, all these items are linked.*
- *labor supply*
- *I think that the federal budget cuts and the tax legislation will shape how the business world will go in the coming year.*
- *NEW TAX LEGISLATION, IT IS CRITICAL, THE PRESIDENT HAS A MANDATE TO DO IT, EVERYONE WANTS IT*
- *Tariffs and the economy as a whole. Also, the news and the effect it has on people's perspective of the reality.*
- *Tariffs because of the uncertainty associated with them.*

- *AI. This is changing things fast*
- *The government in general is already broken [IRS, Social Security, Post Office], personal cuts will not make it better in the short term.*
- *Federal Budget cuts will have a serious negative effect on the economy in my city.*
- *Inflation and rising costs lead to lower bottom line numbers which affect lending and potential business growth.*
- *Getting additional staff*
- *Federal Budget Cuts will have a ripple effect throughout the U.S., especially for non-profit entities.*
- *Inflation*
- *Tariffs - driving inflation*
- *Inflation. Increasing the M2 money supply is going to come at a cost to everyone.*
- *New tax legislation - we'll have more questions from clients than answers on what the new tax law will be*
- *AI. It's a game changer in so many aspects. We are so far 75% automation firm. We are going for nearly 90% automation this year.*
- *Inflation and costs is one of the most important factors for my clients as wages and managing expenses is key to them to make a profit.*
- *Labor supply, constant comment, cannot find qualified help.*
- *Technology/A.I., learn how to use it effectively or be left behind.*
- *Uncertainty in the economic climate*
- *Affordable Capital/Borrowing*
- *The costs of doing business are simply going to go up. By how much is the real question. This will likely lead to larger firms eating up smaller firms and consolidating (gaining economies of scale). However, in the mid-term this could also lead to mid-level firms struggling and breaking apart. Small firms and Large firms will be mostly unscathed.*
- *Federal cuts*
- *Fearful that tariffs will cause large price increase for many foreign goods. Such tax will be passed on to the consumer increasing the amount paid considerably. This will increase purchases made within the US OR a considerable reduction in items purchased (or both) leading to a potential recession. The makers of U.S. produced products may very well see the opportunity to raise their prices.*
- *Affordable Capital/Borrowing*
- *New tax legislation (includes tariffs). This is impacting our business clients in a big way, but the trickle-down impacts consumers, not making purchases and being*

conservative. There appears to be very little confidence in our government and leadership.

- *Inflation, difficult to project pricing and related cost*
- *uncertainty makes everyone pause. just hope it's not too long.*
- *Costs*
- *new computer*
- *Tariffs/Trade will dominate for the next 6 months until trade deals are reached, then Inflation/Costs/Pricing may move to the forefront. Uncertainty with Federal Budget Cuts/Reorganization will be a shadow over all of it.*
- *Inflation/Cost/Pricing to be as profitable as possible to add more work life balance*
- *Not sure one is more important than another when the U.S. Democracy seems to be failing.*
- *Probably the Tariffs. Everyone seems paralyzed by them, but they don't understand what they are.*
- *Inflation and pricing. People can't plan appropriately*
- *Labor supply*
- *IRS dysfunction from budget axe*
- *Tax Legislation*
- *In my opinion Congress needs to extend the Trump Tax Cuts. The raising of the standard deduction has helped the working class tremendously and has simplified much of tax reporting.*
- *I think the Tariff situation will likely get worked out shortly, but Technology and AI is a big factor. For the accounting profession the proliferation of M and A and PE investment will be interesting to see how it plays out and what kind of disruption both positive and negative it will have on the industry.*
- *Tariffs: the ripple effect on the global economy!*
- *the unrest in the country. the lack of the rule of law. if no law then the irs will lose its voluntary compliance mandate from the consumer side*
- *Quality labor and reasonable wages*
- *Short term for tariffs, long term for AI*
- *Affordable capital / borrowing ~ we have a significant amount of clients in the real estate industries. Several of them depend on available capital to develop properties. High interest rates and potential tariffs increase the need for capital.*
- *Qualified labor. Finding staff who have a solid work ethic and who know public accounting and tax law is becoming increasingly difficult.*
- *Inflation*

- *Inflation, pricing, cost: affects or is affected by all the other issues. This gives rise to recession which affects every aspect of life and business.*
- *These are all important and affecting my clients significantly.*
- *Labor supply, because training issues need to be addressed so we can get our country back on track*
- *Tariffs because there is so much uncertainty in how the outcome will look that it is hampering production.*
- *Tariffs/Trade will continue to dominate the headlines at first, then I expect inflation/costs/pricing to move ahead if deals are not made with our trading partners - I expect such deals will occur over the coming 6 months.*
- *Tax legislation has an impact on every small business*
- *Tariffs are the worst possible idea*
- *Tariffs/trade. Because the domino effect which will cause or worsen the rest.*
- *Tariff. Effects all*
- *Inflation - rising costs in all areas will take a toll on small businesses.*
- *Tariffs affect everything*
- *Affordable Borrowing: Dealing with small business's hit to the bottom line through and since Covid has been staggering. As the cost of financing increases, we are seeing more family businesses struggling to make ends meet. The decision to have 1 partner leave the business for a guaranteed paycheck is increasing the mental and fiscal pressure. There isn't room in the budget to replace the lost staff/spouse. This filing season, we are receiving an increased number of calls to discuss shutting down partnerships and family corporations.*
- *Expand the business*
- *Media's influence on public opinion and feelings.*
- *AI*
- *Tariffs/Trade in the short-term (6 months) until things settle.*
- *The uncertainty in the economy will drive a lot of decisions by business owners and clients who are getting ready to retire. There is too much instability right now. The new government reality is frightening.*
- *tariffs, raising prices on everything for everybody.*
- 
- *Inflation because it affects the business and people*
- *Tariffs & Trade. We have arguably the most ignorant, moronic, president in our country's history creating and implementing policy supported by a Congress with no sense of shame.*
- *Tariffs... the threat of implementing them has a negative global effect.*

- *New tax legislation because it could exacerbate or mitigate all the other issues.*
- *Technology/AI*
- *labor supply - hard to find people who want to work*
- *Capital/Borrowing, with a lot of older debt resetting/refinancing.*
- *uncertainty about the future stifles growth. Trade wars limits imports & exports.*
- *Uncertainty causes delay and cut back*
- *As interest rates remain high and the cost of borrowing remains above recent norms, many clients are feeling worse off. Inflation hasn't cooled. New minimum wage changes will pinch profits more in September.*
- *New laws and regulations because we have to/need to comply whether it is desired or not, whether it makes sense or not*
- *Tariffs could result in inflation*
- *Client communication*
- *Federal Reorganization*
- *Fed reorganization as there will be changes in regulations that will hopefully help businesses.*
- *Our staffing and labor costs got really high the past 2-3 years in order to find competent accountants*
- *I worry that the tariffs and crackdown on undocumented workers are going to cause a deep recession.*
- *Labor-there's none available!*
- *Tariffs. This is uncharted territory and most forget it is the consumer who ultimately pays the tariffs at the end of the day.*
- *Tariffs - increased prices/lower sales*
- *Tariffs, because of effect on prices*
- *Labor supply and wages, with increasing wages, profits will be less unless companies increase their income by increasing their prices, then the cost of living goes up and then the minimum wage goes up.*
- *Tax legislation*
- *Tax legislation - hits everyone at different levels and shrinking support from the IRS and fewer professionals going into this industry*
- *Federal Budget Cuts/Reorganization. Most of our concern is what will it do to school funding and how our state will handle any federal cuts that may take place.*
- *Inflation*
- *New tax laws. So, we can prepare for next season and better proforma for after 2025.*

- *The ridiculous increase in minimum wage makes it very hard for small businesses. Anyone getting minimum wage isn't worth even THAT, obviously, so they are all overpaid. This contributes to inflation, hurts business, and will force many owners to cut staff. So, the workers are cutting their own throats*
- *Federal budget cuts will have a short-term negative effect on the economy, but it will be a long-term benefit.*
- *Certain trade agreements need to be revisited but the approach needs to be strategic with more priority given to balancing between the level of harmful disruption versus the benefit gained.*
- *new tax legislation...learn new stuff but am hoping that it will be very beneficial to my clients.*
- *Labor in the CPA community is a constant challenge. Technology and AI to leverage the tasks for current staff is also on the forefront of service delivery.*
- *Affordable capital, the majority of my clients are small businesses which require capital to not only keep their businesses afloat, but to expand*
- *We are in the DC metro area. The budget cuts will affect our business clients eventually.*
- *Inflation. It will be impacted by the Tariffs, labor supply and general business investing.*
- *The client and respective requirement.*
- *IRS staff cuts*
- *Technology, as it has caused the pace of change and cost of doing business to increase dramatically.*

## Best Sectors

Between November 2024 and April 2025, accounting professionals identified which business sectors they expect to perform best over the next 12 to 18 months.

### The results reveal strong patterns of

- confidence in key professional and technical industries,
- tempered optimism in infrastructure and energy, and
- limited support for consumer-facing sectors.

The results suggest a professional services economy—advisors expect durable performance from regulated, knowledge-based, and service-oriented sectors.

Technology and AI remain central to transformation and productivity, though integration challenges persist.

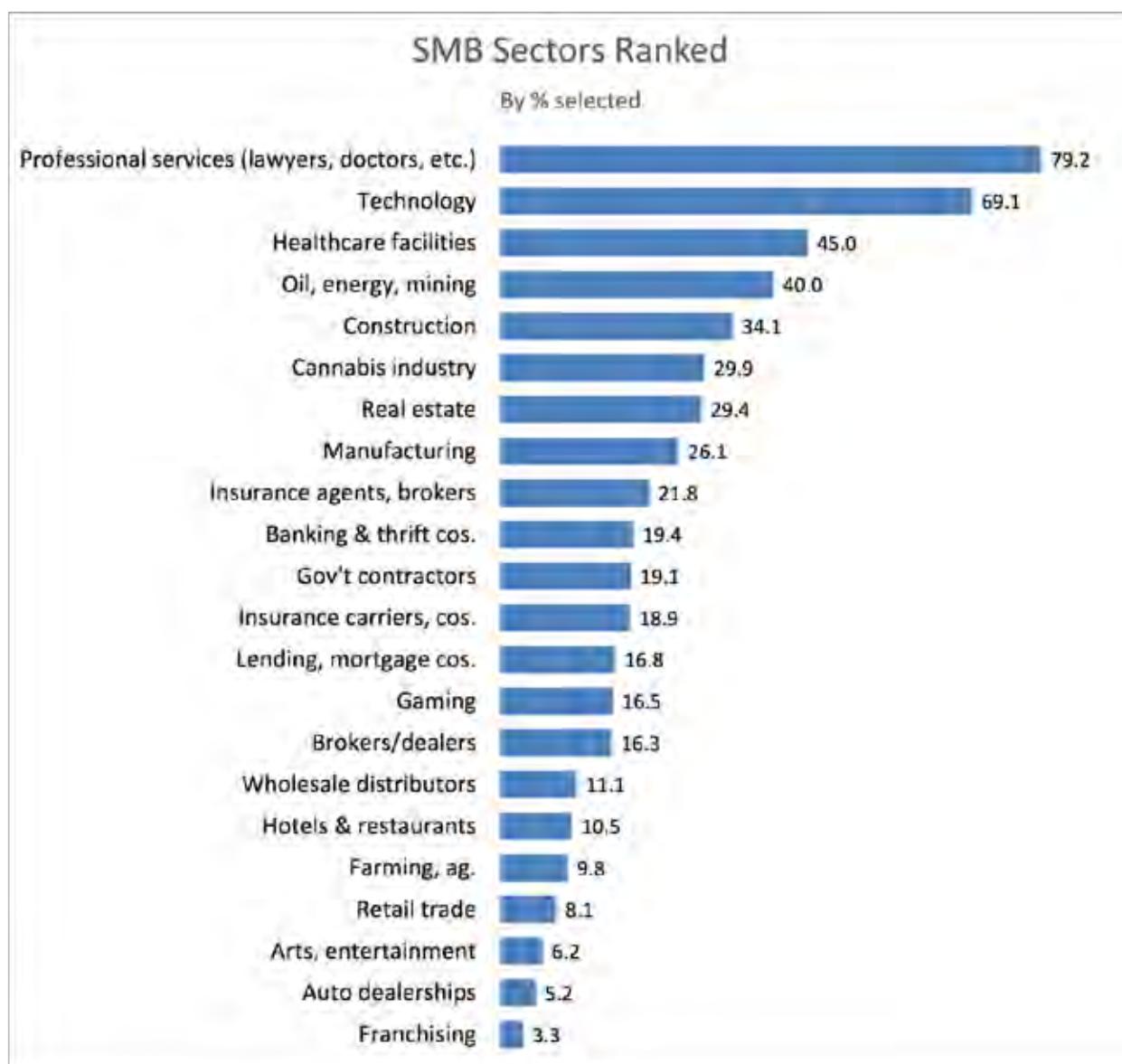
Traditional consumer sectors lag, possibly due to inflation, margin pressures, and workforce instability.

Advisors show pragmatism, emphasizing

- resilience,
- compliance, and
- consultative leverage.

### Top-Ranked Sectors and Notes

1. **Professional Services** (lawyers, doctors, consultants): Selected by 79.2% of respondents—the highest by a significant margin. Reflects enduring demand for trusted advisory services amid uncertainty and economic uncertainty. Professions are often recession-resistant and closely tied to tax and compliance engagements.
2. **Technology**: Chosen by 69.1% of respondents. Momentum drives rapid AI integration, software modernization and the digital transformation of small businesses. Many advisors see SMB opportunities for automation, cloud migration, and tech consulting.
3. **Healthcare Facilities**: Cited by 45.0% of respondents. Stability and long-term demographic drivers (aging population, chronic care needs) continue to anchor healthcare as a growth sector.
4. **Oil, Energy, and Mining**: Garnered 40.0% support. Rising energy prices and global supply chain instability are likely contributors. Viewed as a hedge against inflation and geopolitical volatility.
5. **Construction**: Selected by 34.1%. A sector benefitting from infrastructure funding, real estate recovery, and commercial buildouts, though constrained by labor shortages.



## Sector Shifts from November 2024 to April 2025

Energy, Manufacturing, Finance, and Agriculture are seeing measurable gains in sentiment. The shift suggests a pivot toward hard assets, supply chain durability, and transactional finance. CPAs and advisors appear to be aligning their expectations with structural macroeconomic changes, including reshoring, inflationary pressures, and fiscal realignment.

Sector	% Point Change	Rank Change	Notes
Oil, Energy, Mining	+5.87%	+3	Respondents showed growing confidence, likely due to energy prices, supply chain trends, or geopolitical events.
Manufacturing	+5.82%	+4	Rising optimism, possibly tied to domestic production emphasis or infrastructure spending.
Brokers/Dealers	+2.29%	+3	May reflect improved financial market sentiment or recovery from Q4-2024 volatility.
Farming, Ag.	+0.19%	+4	Stable improvement, possibly tied to food security and rural resilience themes.

## Reasons for Choosing 'Standout' Sector.

The accountants were asked which sector "stands out, and why." From over 600 valid responses, the analysis reveals key themes driving sentiment behind top-ranked sectors such as Professional Services, Technology, Energy, and Healthcare.

**Professional Services (Lawyers, Doctors, Advisors)** -- High confidence in essential advisory services during tax reform and economic uncertainty. Professional services seen as recession-resistant and high-margin.

- *"Clients always need professional guidance."*
- *"Demand for compliance and planning is rising with tax law changes."*

**Technology & AI** -- Seen as a transformation driver across all industries, not just a standalone growth sector. AI, automation, and digital platforms are essential for business survival and growth.

- *"Firms that don't adapt will be left behind."*
- *"AI is reshaping client services and internal workflows."*

**Healthcare & Aging Populations** -- Healthcare seen as demographically inevitable, especially with Baby Boomers aging into long-term care. Steady demand, regulatory spending, and insurance-driven economics make this a "safe" sector.

- *"Healthcare will always be needed."*
- *"Demand will increase with population trends."*

**Oil, Energy, and Mining** -- Viewed as resilient due to global instability, energy price volatility, and U.S. production incentives. Many respondents referenced deregulation, strategic reserves, and inflation hedging.

-- *"Energy security is paramount in uncertain times."*

-- *"Oil and gas are inflation-proof sectors with sustained demand."*

**Manufacturing** -- Growth tied to federal infrastructure investment, localization of supply chains, and industrial rebuilding. Some firms saw opportunity in cost accounting, R&D credits, and operational consulting.

-- *"Manufacturing is coming home — and fast."*

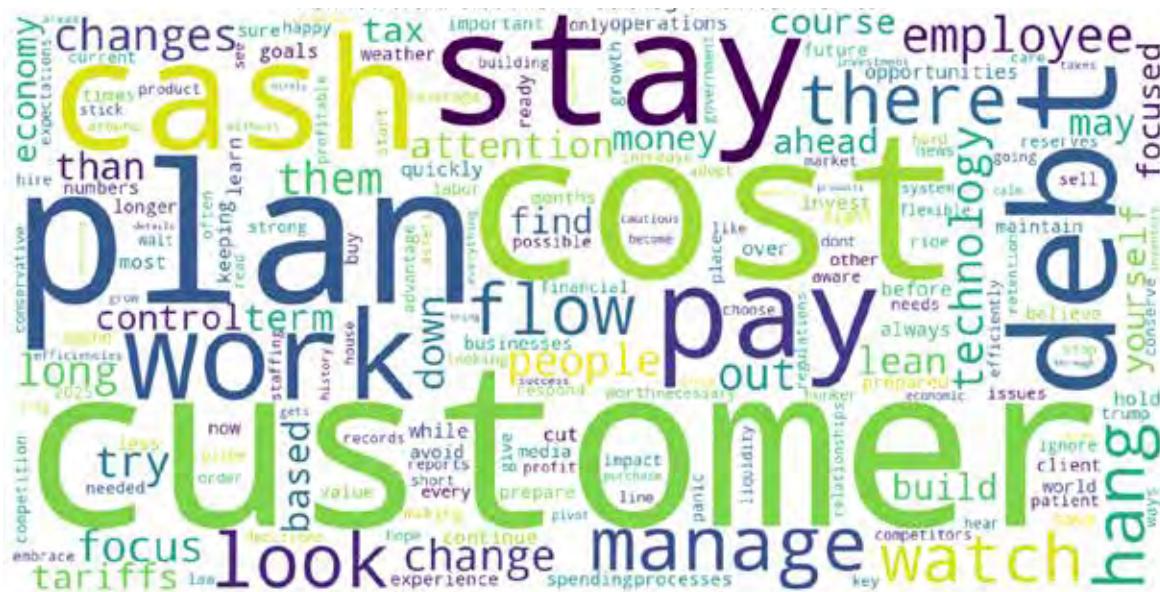
-- *"Strong sector for CPAs advising on process and scale."*

**Construction & Real Estate** -- Perceived growth from housing shortages and government-funded infrastructure. Some concern about wage pressure and labor supply, but long-term opportunity remains.

-- *"Housing and infrastructure will drive activity for years."*

## Best Advice

Respondents were asked for their "best advice" for business owners looking ahead 12-18 months.



From the filtered dataset of over 600 responses, this analysis captures the advice that CPAs, EAs, and tax professionals are giving directly to small business owners, excluding advice specific to the accounting profession. The accompanying word cloud visualizes the most frequently used and emphasized terms.

## Priority Theme      Actionable Guidance

Cash Management	Preserve cash, reduce expenses, know your cash position
Debt Caution	Limit new borrowing, refinance where possible
Plan & Monitor	Watch economic signals, plan for multiple scenarios
Modernize Ops	Invest in tech that improves margin and productivity
Value Your People	Retain staff and top clients through stability and service

**Cash Flow Discipline** -- The strongest and most repeated advice centers on maintaining positive cash flow and preserving liquidity. Many advisors explicitly urged SMBs to: Monitor accounts receivable and payables, reduce discretionary spending, and prepare for extended downturns.

- *“Cash is king. Protect it.”*
- *“If you don’t know your burn rate, find it now.”*

**Debt and Risk Aversion** -- SMBs are being cautioned to minimize borrowing or to avoid new liabilities, especially in an uncertain or rising interest rate environment. Advisors suggested delaying expansion or capital purchases unless absolutely necessary.

- *“Avoid taking on debt unless it’s revenue-generating.”*
- *“Reduce leverage—2025 could be volatile.”*

**Planning, Agility, and Scenario Analysis** -- Businesses are advised to remain agile, review strategic plans, and stay alert to regulatory or market shifts. Many recommend building contingency plans or stress-testing operations.

- *“Have a plan A, B, and C.”*
- *“Know your break-even—monthly.”*

**Technology & Efficiency** -- While less dominant than financial themes, a growing number of responses urged SMBs to invest in tools that improve efficiency and automate manual workflows. This aligns with broader trends around digital transformation and AI.

- *“Embrace tools that cut overhead.”*
- *“A.I. and automate wherever possible to survive labor pressure.”*

**Customer and Workforce Retention** -- A critical but less emphasized cluster focuses on delivering value to loyal customers and retaining core staff. Advisors mention the importance of clear communication, responsiveness, and consistency in uncertain environments.

- *“Take care of your best customers.”*
- *“Train and retain your best people—turnover is expensive.”*

## Accountants' Best Advice – Sample Verbatim Comments

- *Be conservative*
- *Hunker down*
- *Hunker down conserve cash*
- *Exit plans are crucial!*
- *Tighten up, watch your numbers closely, offer excellent hospitality and customer service. Don't raise prices if it can be avoided. Partner with your clients to create real value and relationships. Focus on internal efficiencies and cutting costs.*
- *Do strategy planning also exit strategy*
- *Now is the perfect time to look at restructuring processes and implementing new technologies to improve efficiencies. Ai is making great strides in so many ways that you simply cannot ignore implementing it or at least researching what it can do for your business.*
- *Stop spending and put more cash in the bank for the lean times ahead.*

- *To build and grow a successful business, you have to have 2 things—amazing people and strong systems. If you have one without the other, you'll never get the results you want.*
- *Don't borrow money if you can avoid it.*
- *Watch/read what is going on, anticipate how that will impact your business and be ready to pivot/adjust when needed.*
- *Keep doing what you're doing to grow your business but be prepared to scale back or pivot as needed, depending on economic conditions.*
- *Invest in your people, even if it means benching people. Build your balance sheets to weather economic instability.*
- *Maintain a strong cash flow while limiting debt.*
- *Be alert for changes, and fluctuation. Be smart on careful of spending on unnecessary items. Be alert of the scams.*
- *Stay out of debt!!*
- *Watch your account, become creative in your business, manage the risks.*
- *Control capital expenditures and inventory levels.*
- *Prepare for the worst. Cut expenses as much as possible.*
- *Continue on the path but be cautious.*
- *Stay calm*
- *Where is the economy going to end up. Will history repeat itself? Will our isolationist goals damage the world economy and cause World War 3?*
- *Patience and conserve cash*
- *Be ready to react to change*
- *Conserve cash*
- *Watch your numbers*
- *Know your rights when ice comes calling.*
- *Hang in there and look for values in purchasing*
- *Do not borrow money.*
- *Keep tight control over expenses*
- *Keep a cash cushion on hand if tariffs or other disruptions come up.*
- *Have a good set of books and do tax planning*
- *Be cautious. Pay attention to details.*
- *Stay the course. As usual look for all ways to cut or maintain costs.*
- *Avoid borrowing for operating expenses. Evaluate pricing and expenses.*
- *Expenses - you get what you pay for with employees.*
- *Continue planning to grow and sustain. There's always a solution. You just have to find them.*
- *Sell out.*
- *Get your numbers done and review them*
- *Have larger cash reserves (if you can).*

- *Business success is based on cash flow. Cash flow is not about how much you make as much as how much you spend. Be cautious about taking on long-term spending right now.*
- *Take care of your staff and pay attention to your clients' needs*
- *Keep your head down and weather the storm.*
- *Stay focused on core operations and not get distracted by national news/stock market.*
- *Trim unnecessary expenses and wait to see how the impact of tariffs affects your business before making any significant capital investment.*
- *Stay on top of the news and macroeconomic factors that impact your industry, sector, market and region. You do not want to over-hire at this time, it is best to stay lean. Keep an eye on your competition for opportunities; when competitors retreat it opens up opportunity. Lastly, focus on customer service.*
- *Tighten up operations, control costs, and diversify your niche.*
- *Be proactive*
- *Save cash*
- *Sit tight and conserve funds*
- *Be patient but not too patient. Be prepared to pivot. Focus on experiences. Customers will stay with providers that treat them exceptionally.*
- *Become a vocal opponent of tariffs.*
- *Manage expenses, build cash reserves, pay down debt. Both business and personally.*
- *Strong contingency planning*
- *Try to keep your head above water and weather the storm*
- *Hold steady with your business, and remember cash is king*
- *Stay true to your goals and values despite obstacles that may scare you.*
- *Adopt to ai and understand roles for people are changing.*
- *Have additional access to capital if needed - re-think marketing to be more efficient and targeted (area that often gets cut when funding is limited) - work more closely with CFOs and tax CPAs during the year, just not at tax time - invest a little more in better it - maintain monthly performance metrics and compare to prior year; set realistic goal, monitor closely during the year, make strategic adjustments (including staff if necessary)*
- *Respond quickly to input price increases*
- *Be prepared to react to changes in the economy.*
- *Stock purchase should be made very carefully and based upon the history of the business and the particular business. The purchase of gold and silver and other such should be considered with the retention of such purchase held by the investor.*
- *Respond to input cost increases quickly. Demand value for every dollar spent.*
- *Cut staff payoff debt*

- *Pay closer attention to profit margins by product & service lines, and keep your 13-week cash flow projections high on your priority list*
- *Educate yourself about local, national and international issues.*
- *Watch your financial statements on a routine basis. Know your key performance indicators and highlight those as part of your monthly financial statement package to watch.*
- *Keep your seat belts on, don't make rash decisions, be patient & look over the horizon!*
- *Financing*
- *Know your numbers... get interim accounting work done sooner than later*
- *Keep good records*
- *Stock up on inventory before tariffs kill your business*
- *Try and find a safe place to ride out the next two years to mid-terms and if all else fails find another place to reside.*
- *With today's labor shortages keeping your best employees happy is just as important as keeping customers happy*
- *Watch your costs, shop around for supplies. Keep touch with your employees, listen to them, they are the closest to seeing what is happening with your customers and suppliers*
- *Stay focused and optimistic and control the controllables. Ignore some of the outside noises and proactively manage your business based on your long-term strategy. Stay focused on your strategy, people, markets and customers.*
- *Hunker down to hopefully ride out the current chaos*
- *Be conservative. Learn from the past and protect those that cannot protect themselves. They will become your best clients!*
- *Build liquidity for down times and to capitalize on opportunities*
- *Don't panic. Don't believe everything you hear on the news or social media. Maintain cash reserves and keep your employees and customers happy.*
- *Be patient; retain your most important asset--your people*
- *Hang in there*
- *Stay vigilant for federal and state regulations, enhance efficiencies within the business, look for opportunities that may come with an unsettled economy and government*
- *Don't panic*
- *Learn how to use LLC's and S-Corps in their proper combination*
- *Hold what you've got. Shelve investment plans until things stabilize. Downsize and concentrate on the things your businesses do best.*
- *Be nimble.*
- *Diversify wherever possible - look and think outside the box to find new ideas, staffing, markets and revenue streams*
- *Hang in*
- *Take a good look at your operations and cull the fat.*

- *Plan ahead.*
- *Congress and their effect on the economy with the budget negotiations, reining in trump and his tariffs, and uncertainty legislation. Again too much uncertainty.*
- *Stay the course. Keep communicating internally and externally.*
- *Hang on tight. It'll be a rough 12-18 months.*
- *Batten down the hatches*
- *This too shall pass. What we are certain about is uncertainty. We need dry powder to compete with the weak and unprepared competitors.*
- *Don't incur too much debt*
- *Strategic planning and stay on top of current financial situation*
- *Need to respond quickly to change in technology and in the economic environment.*
- *Take care of the clients you have. Work on a plan for employee retention. Be easy for clients to reach you and reach out to them often.*
- *Learning to say no will oftentimes make you more money than always saying yes*
- *Apply the supply chain issues learned in covid and use them with the additionally factor of higher costs due to tariffs*
- *Conduct your business as if you were preparing to sell it tomorrow. Keep accurate books with a good tracking system for assets and inventory, stay in compliance with state and federal regulations, and operate ethically.*
- *Treat your clients well*
- *Cut staffing, don't borrow money, be lean and mean.*
- *Ignore the noise.*
- *Prepare for bad times ahead.*
- *Change is constant but the business cycle repeats - remain resilient during the down cycles and stay informed regarding the change so that you are ready to embrace and take advantage when the opportunity presents.*
- *Build a significant cash reserve to weather the next 12 to 18 months*
- *Concentrate on revenue not taxes.*
- *Watch cash flow. Manage cash flow.*
- *Strategic partnerships*

## Respondent Profiles

### Key Takeaway

Survey respondents, each overseeing an average of 367 business clients, collectively represent 166,730 small and midsized businesses — providing rare insight into the financial realities of the SMB sector.

### Additional Takeaways:

- The respondents are overwhelming C-suite executives in public tax and accounting firms.
- Tax dominates as the primary revenue driver, cited by over three-quarters of respondents.
- Advisory/Consulting drives the highest average and median client fees.
- Solo and small firms earn notably less per client, while larger firms (26+) capture significantly higher fees.

### Selected Demographic Profile Detail

#### ***Industry Segment by Type of Firm (% of Total Respondents)***

The overwhelming majority (94.3%) of respondents work in public accounting, tax, bookkeeping, or consulting—confirming the survey’s reach into the practitioner core of the profession.

<b>Public accounting, tax, bookkeeping, or consulting</b>	94.3%
<b>Private business, industry, or corporate</b>	1.7%
<b>Vendor or Services Provider to Practitioners or Firms</b>	1.4%
<b>Education / Gov’t / Nonprofit</b>	0.6%
<b>Other (please specify)</b>	1.9%

n = 510

#### ***Position (% of Total Respondents)***

Respondents skew heavily toward C-suite decision-makers, with nearly 7 in 10 identifying as owners, managing partners, or executive officers.

<b>CEO, MP, Sole Owner, President, COO</b>	69.1%
<b>Partner, Senior Executive, CFO, Controller</b>	25.4%
<b>Staff or General Management</b>	3.7%
<b>Other</b>	1.7%

n = 511

***Size of Firm by Number of Persons (% of Total Respondents)***

Respondents are concentrated in independent, local, SMB-sized, “Main Street” firms.

<b>Solo</b>	22.7%
<b>2-10</b>	42.9%
<b>11-25</b>	17.5%
<b>26-50</b>	8.2%
<b>51-100</b>	2.9%
<b>Over 100</b>	5.9%

n = 525

***Number of Clients per Respondent***

	<b>Total</b>	<b>Average per Respondent</b>
<b>Individuals, Trusts, Estates</b>	281,982	619.7
<b>Businesses</b>	166,730	367.3
<b>Nonprofits / Government</b>	10,813	27.9

n = 510

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