

The **\$153 BILLION**

Growth Tax on US
Small Businesses



7Wise Business

Executive summary

As we head into 2025, US-based small-medium sized businesses (SMBs) face strong headwinds. The rising costs of goods and services, coupled with uncertainty around tariffs and currency volatility, are straining small businesses financially and inhibiting their ability to grow, especially in an international landscape.

Beyond the macro economic environment, there are a number of unnecessary financial pressures being placed on small businesses that urgently need to be addressed. Chief among them: **hidden fees in financial transactions.**

This report combines economic research and qualitative data to assess and understand how hidden fees in financial transactions serve as a **'growth tax'** on small businesses. The findings reveal widespread impact that is felt most acutely by those small businesses seeking international growth, a group that is frequently subject to deceptive and unpredictable cross-border transfer fees.

Commissioned by Wise in partnership with The Centre for Economics and Business Research (Cebr), this report exposes the need for financial services providers to offer greater transparency on fees. Only then will small businesses have the financial stability they need to thrive.

Definitions



SMBs

Businesses with 49 or fewer employees.



Sole Trader

A type of enterprise that is owned and run by only one person.



Hidden fees

Fees charged on financial transactions that were not anticipated prior to the transaction.



Direct costs

Costs caused by hidden fees themselves.



Indirect costs

Costs resulting from behavioral changes — in this case foregone investment — because of hidden fees.



Letter from June Yuan, Wise Business Product Lead



There are over 33 million small businesses in the United States (US), according to the US Chamber of Commerce, making up 99.9% of American businesses and comprising 43.5% of national gross domestic product (GDP). Calling these businesses anything less than the 'backbone' of the American economy is an understatement.

Despite the critical role they play in the economy, many small-medium sized businesses (SMBs) are fighting to stay afloat as they battle rising costs, decreasing interest rates, and uncertainty around tariffs. In fact, 60% of small business owners describe the process of managing their financial operations as more chaotic than ever.

Financial services providers are often the first to voice their support for SMBs. Yet, they are simultaneously placing further financial pressure on these very same businesses in the form of hidden fees. US-based SMBs are losing a shocking **\$153 billion a year** to hidden fees in financial transactions, driven largely by frequent and costly transactions that are an essential part of navigating daily business operations.

This is more than just a nuisance. It's a **growth tax** — an unfair burden that limits small businesses' ability to plan ahead and remain competitive in today's digital economy.

Take the possibility of international expansion. In today's world, businesses of all sizes have instant and digital access to global talent, suppliers, and customers. This means that operating internationally is no longer the exclusive domain of Fortune 500 companies.

Still, almost one third of the total losses SMBs incur due to hidden fees (\$43 billion) are associated with international payments. Faced with these unforeseeable fees, what could be a huge revenue opportunity for small businesses becomes a hindrance, ultimately leading small business leaders to push back their expansion goals.

The impact of hidden fees goes beyond the charges themselves. SMBs lose an estimated \$18 billion annually because the money spent on hidden fees cannot be reinvested into developing new products and services, hiring, or international expansion, which would otherwise produce a return on investment.

In addition to this \$18 billion of lost potential funds, US SMBs are collectively holding \$23 billion worth of cash reserves in an attempt to mitigate the chaos of unpredictable costs. This money can be drawn upon instantly, but does not yield any returns; in other words, businesses are forced to siphon off a further \$23 billion that's not being spent on growth.

SMBs deserve more providers that offer transparent fees instead of the predatory financial practices that so commonly inhibit their growth. That's why we built **Wise Business**: to help small businesses move and manage their money internationally in a convenient, affordable, and transparent way. Today, over 625,000 small businesses trust Wise to save them money and time. By clearly displaying fees at every step of the transaction, we ensure that Wise Business customers never have to play guessing games to understand what they pay.

In short, **we take the chaos out of running a global small business.**

But we can't solve this problem alone. The financial institutions that claim to serve SMBs must step up and make a commitment to transparent, honest, and straightforward financial practices. It couldn't be simpler: list fees in a way that empowers small businesses to plan and budget ahead of time and arm them with confidence as they navigate a complex economic landscape.

Our ask is simple — get rid of the growth tax. Only then will America's small businesses be able to focus on achieving growth and success in a global marketplace.

Key findings from this report include:



Hidden fees cost US small businesses an estimated **\$171 billion per year**. The vast majority (\$153 billion) goes directly to paying hidden fees, while \$18 billion is lost indirectly to foregone investment.



Small businesses are holding **\$23 billion** in cash to account for the impact of hidden fees. Money that they could be investing in their business.



Four in five (**83%**) small business leaders agree that **hidden fees are an unfair growth tax**.



SMBs in **New York** are impacted most by hidden fees, paying **\$19 billion** per year.



A majority (**60.0%**) of respondents stated that **running their small business is more chaotic now than it has ever been**.

DIRECT COSTS OF HIDDEN FEES



The direct cost of hidden fees totals **\$153 billion a year**, of which **\$43 billion** is lost in international transfer and currency exchange fees



The direct cost of hidden fees to US small businesses amounts to a staggering **\$153 billion per year**, driven largely by frequent and costly transactions that are essential to navigating business operations.

Of the hidden fees SMBs are confronted with, **credit card processing fees** account for the highest volume, with **\$53.8 billion** lost every year simply for accepting payment from customers.

Almost one third (28%) of the total losses SMBs incur due to hidden fees are because of international transfer fees, which are often concealed in inflated exchange rates. **Currency exchange fees** make up an estimated **\$24 billion** of direct costs, while **international transfer fees** add a further **\$19 billion**.

In today’s globalized digital economy, these hidden fees have an outsized impact on the small business community.

Aggregate direct cost of hidden fees by category	
Credit card processing fees	\$53.8B
Bank account fees	\$45.2B
Currency exchange fees	\$24.4B
International transfer fees	\$19.3B
Insurance policy fees	\$5.3B
Payroll processing fees	\$4.4B

International business payments are the most likely transactions to incur hidden fees



To understand the impact of hidden fees on small businesses, our survey asked SMB leaders whether they incur certain types of fees when making business transactions and, if so, the frequency with which they have to pay them.



SMBs that are charged **international transfer fees** and **currency exchange fees** as part of their business incur these types of fees most often. In other words, for those SMBs that have a need to move and manage money internationally, cross-border transactions are frequent and costly.



Small businesses are also frequently hit by **credit card processing fees**, which are charged **29 times per month** on average.



Insurance policy and **payroll processing fees** are a problem for small businesses, but these are incurred at a much lower frequency. The SMB leaders we surveyed reported incurring these fees on **2 and 3 occasions per month**, respectively.

Types of fees	Occasions reported
International transfer fees	35.6
Currency exchange fees	30.3
Credit card processing fees	28.7
Bank account fees	15.3
Payroll account fees	3.2
Insurance policy fees	1.7

Hidden fees cost the average small business **\$4,400 a year**, but this can increase to **\$8,500 a year** for businesses with international needs



The average direct cost of hidden fees for all US SMBs is **\$4,400** per year. This increases to an average of **\$7,200** when only taking into account those US small businesses that report incurring costs because of hidden fees.

The largest contributions come from credit **card processing fees** (\$1,600) followed by **bank account fees** (\$1,300), as a result of these fees being the most commonly incurred.



Whether they report paying hidden fees or not, per year, the typical small business spends only **\$700** on currency exchange and **\$600** on international transfer fees. These may be one-off or rare transactions to serve customers or source goods from abroad.

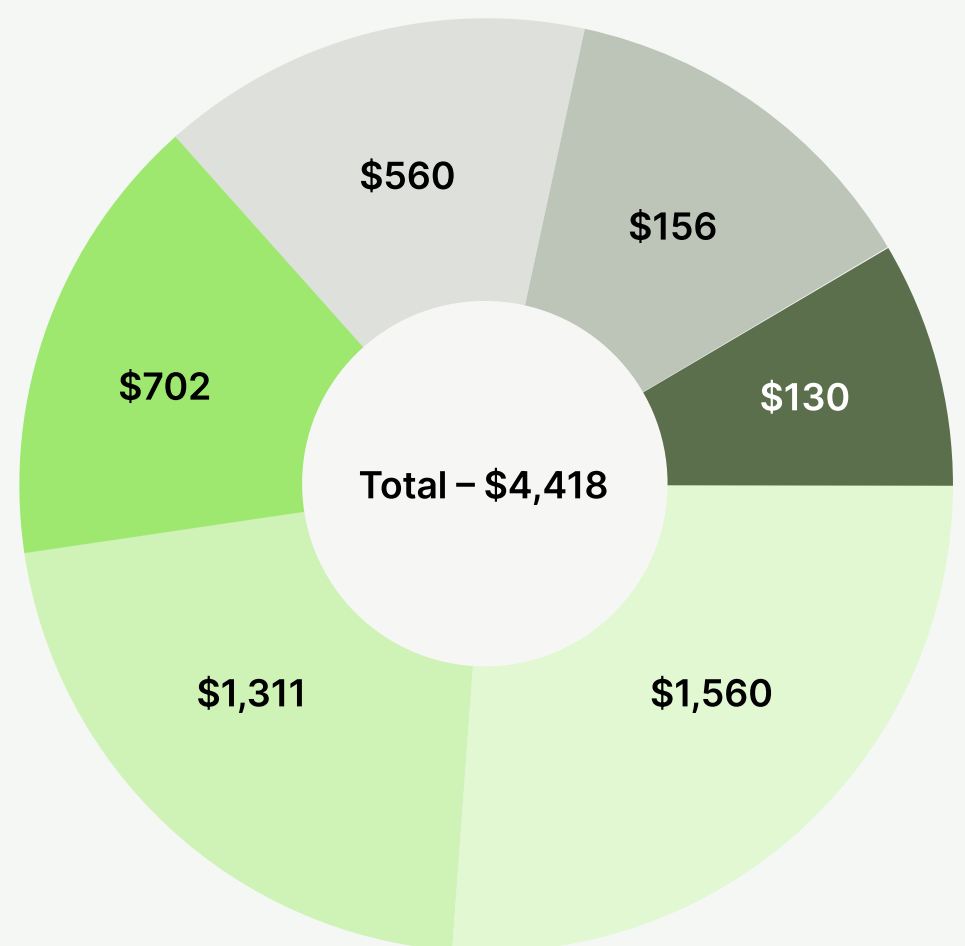


But this drastically increases where SMBs have regular international payment needs. Businesses that face **international transfer fees** lose an average of **\$8,500** to hidden fees.



Similarly, SMBs that face **currency exchange fees** lose an average of **\$6,900** each year to hidden fees.

Annual direct cost of hidden fees per business, by fee type and total



- Credit Card processing fees
- Bank account fees
- Currency exchange fees
- International transfer fees
- Insurance policy fees
- Payroll processing fees

Transactions charged most often carry hidden fees that are **lower in cost** than those charged infrequently



If a small business reported being charged hidden fees, we then asked about the **typical cost they are required to pay per transaction**.



The fees with the highest costs per transaction are **insurance policy fees** and **payroll processing fees**, with typical charges of **\$28** and **\$23**, respectively.



At the other end of the scale, **credit card processing fees** have the lowest per transaction cost of any fee type, averaging **\$9**.



Currency exchange fees and **international transfer fees** also carry lower — though notable — costs. SMB leaders reported being charged **\$16** and **\$14** per transaction, respectively.



This suggests that there is an **inverse relationship** between the amount charged on a transaction and the frequency with which it is charged to small businesses. In other words, lower frequency charges carry a higher value per transaction.

Estimated average cost per transaction of hidden fees



Sole traders incur the largest share of hidden fee costs, but larger businesses make a disproportionate contribution



US sole traders are hit hardest by hidden fees among different sized SMBs, losing **\$68 billion** to hidden fees per year. This is driven by the fact that there are an estimated 28.5 million sole traders in the US according to Census Bureau data.

However, cost per business for sole traders is lower, meaning they only account for **44%** of total hidden fees incurred, despite making up 82% of entities within the SMB category.

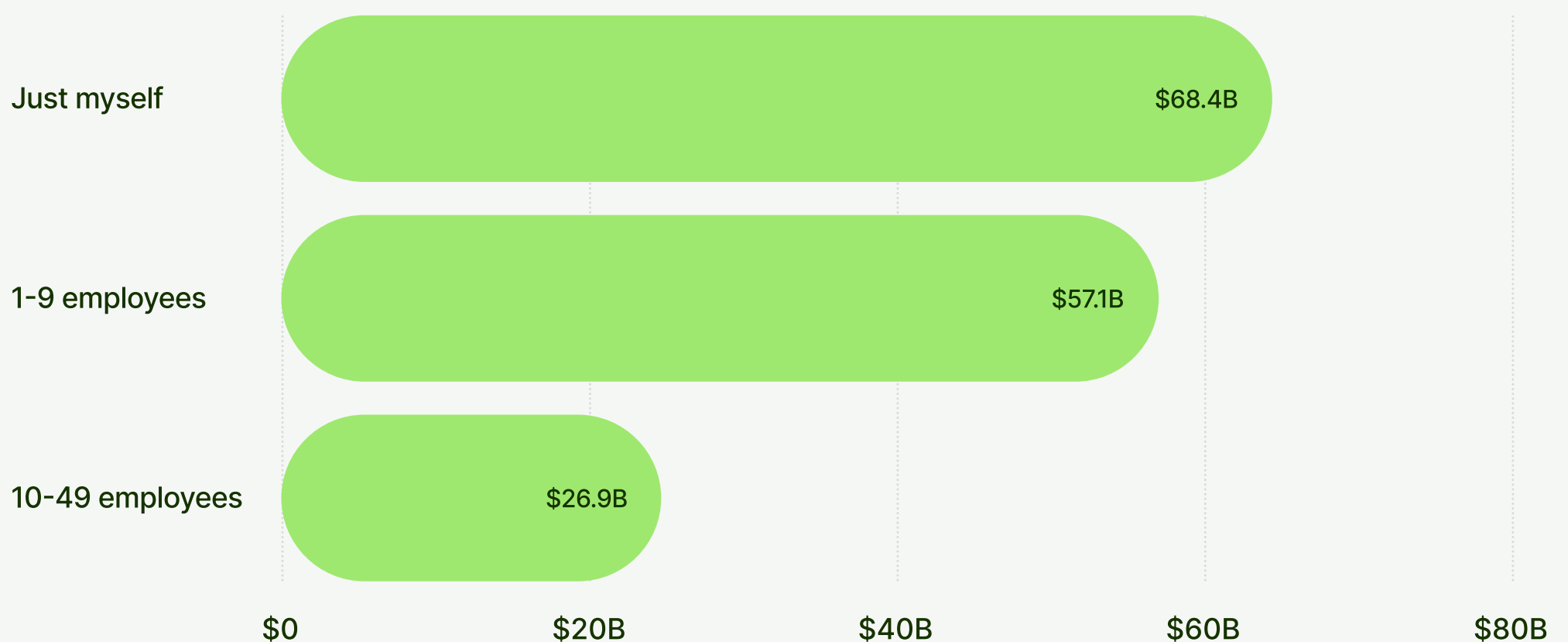


Businesses with between one and nine employees incurred a loss of **\$57 billion** to hidden fees.

Despite only accounting for **3%** of the total SMB business population, businesses with 10-49 employees pay a disproportionate **17.7%** of total hidden fees on business transactions, losing a shocking **\$27 billion** per year.

Aggregate cost of hidden fees by firm size

Source: Opinium Survey, US Census Bureau, Cebr analysis



SMBs in **construction** and **finance** industries are disproportionately impacted by the costs of hidden fees



The direct costs of hidden fees also vary depending on the industry an SMB operates in. Among industries surveyed, SMBs that specialize in **construction** are hit the hardest, losing **\$19 billion** a year to concealed charges. This is partly driven by the fact that construction-focused SMBs make up a large proportion of US small businesses, accounting for approximately 3.5 million entities.

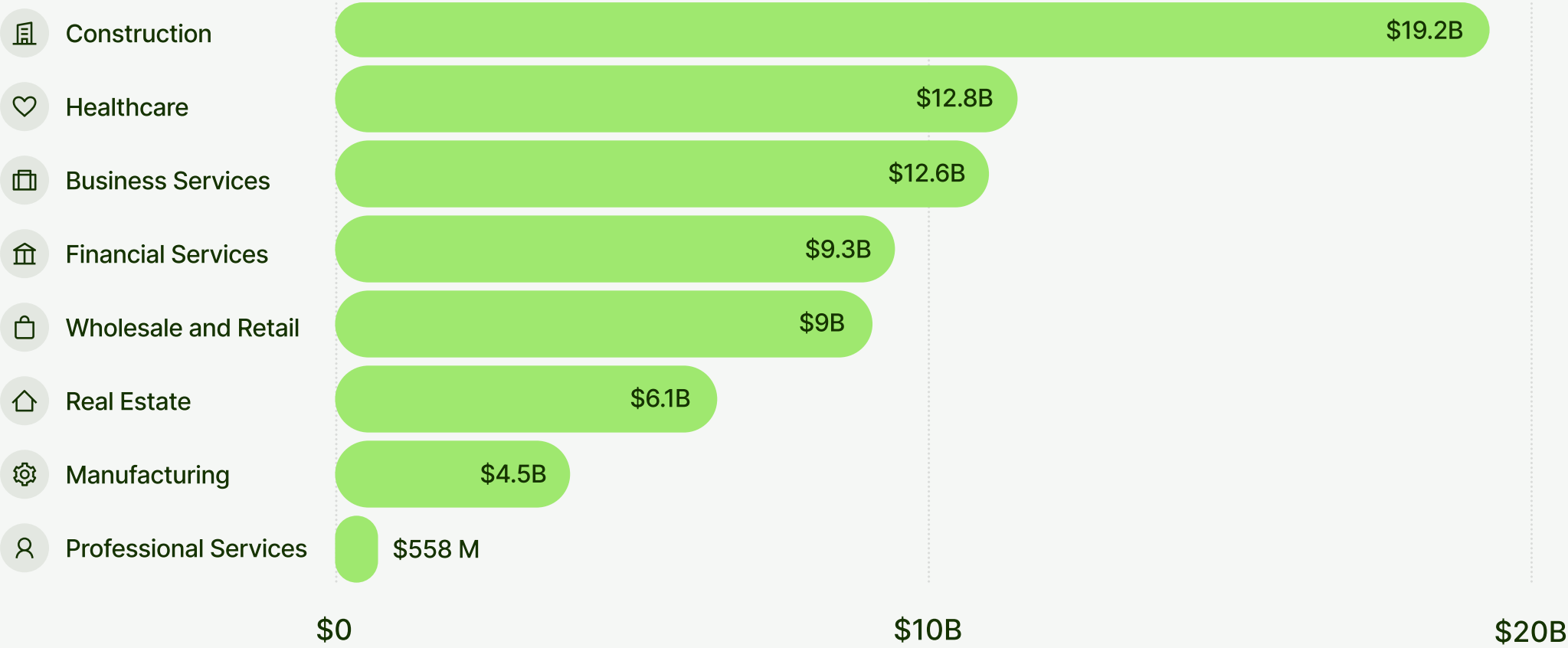


Another industry taking a substantial hit is healthcare. SMBs in healthcare pay an estimated **\$13 billion** in hidden fees. This sector also accounts for a large share of the total population of US small businesses, with 2.8 million entities.



SMBs in the financial services sector are also hit hard. They account for **6.1%** of the total costs of hidden fees, despite making up just 1.7% of the population of small businesses. This is driven in part by the high rate at which these fees are charged to this group. Four in five (**84.6%**) of finance SMBs reported incurring at least one hidden fee a month, a rate exceeded only by manufacturing.

Average cost of hidden fees by industry



Despite having a smaller business population than other states, **New York** businesses are the most likely to be hit by hidden fees



Out of SMBs surveyed in California, Florida, New York and Texas, small businesses in **New York**, incurred the highest losses to hidden fees, paying out over **\$19 billion** annually. This is despite accounting for a smaller population of SMBs than the comparison states. This reveals that New York-based SMBs incur the highest costs per business.

SMBs in Florida and California are losing a significant **\$16 billion** per year each, while Texas-based SMBs incur a collective loss of **\$11 billion**.

The remaining cost of hidden fees, **\$91 billion**, is distributed across all other states.



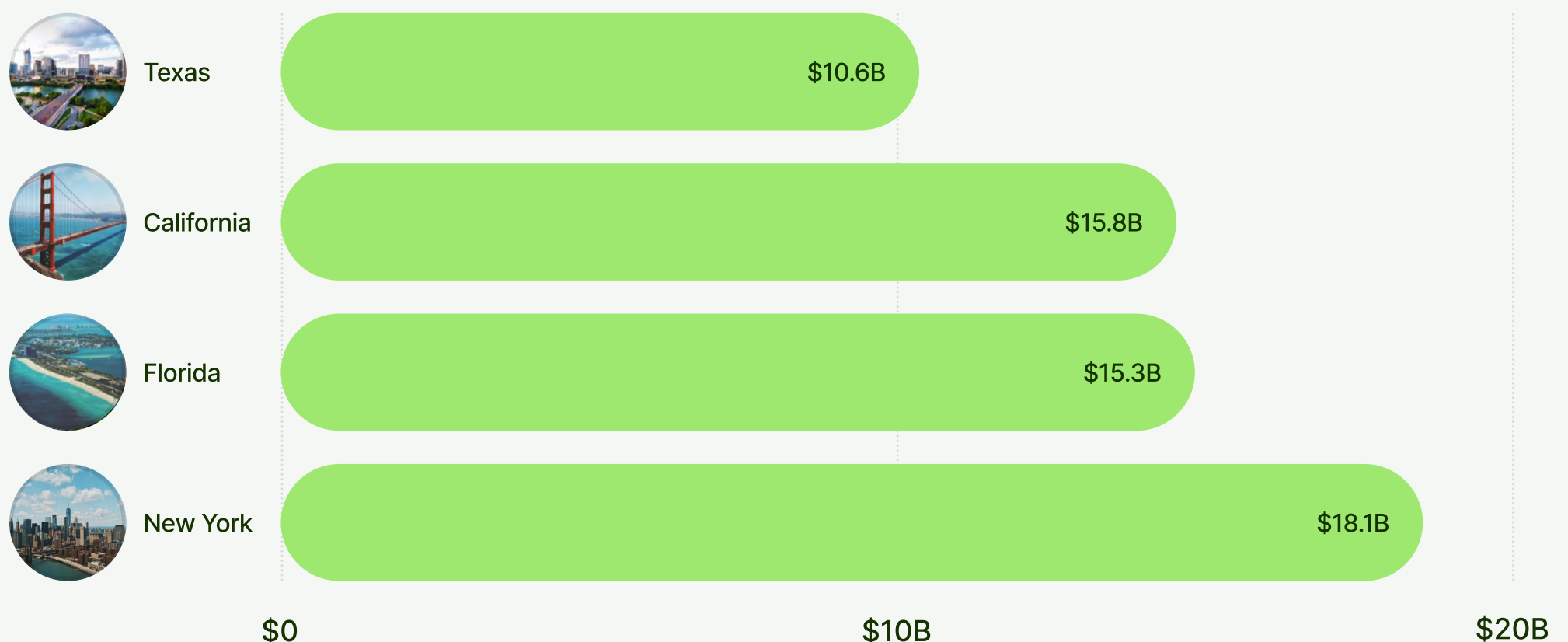
Beyond the monetary losses, the types of hidden fees SMBs face differ across states.

For example, **international transfer fees** make up **19.3%** of total direct costs incurred in California. Meanwhile, **currency exchange fees** account for almost a quarter (**23.8%**) of total direct costs paid by New York-based small businesses.



In contrast, international fees hit Texas-based SMBs the least hard. International transfer and currency exchange fees represent only **3.9%** and **12.2%** of direct costs, respectively.

Aggregate direct cost of hidden fees by state



INDIRECT COSTS OF HIDDEN FEES



Hidden fees result in **\$18 billion** of foregone financial returns each year



The **indirect cost** of hidden fees refers to the potential returns lost by small businesses because money they would have otherwise invested in their business is going towards paying hidden fees.



The indirect cost incurred by small businesses due to hidden fees is estimated to be **\$18 billion**.

This figure represents financial returns that are not realized because SMBs are unable to invest in areas like marketing, which would return approximately **\$7.2 billion** for small businesses collectively, or new technologies, which would return approximately **\$4.5 billion**.

In addition to the \$153 million lost directly by SMBs when paying unexpected fees, this means that small businesses lose out on a total of **\$171 billion annually** as a result of hidden fees.

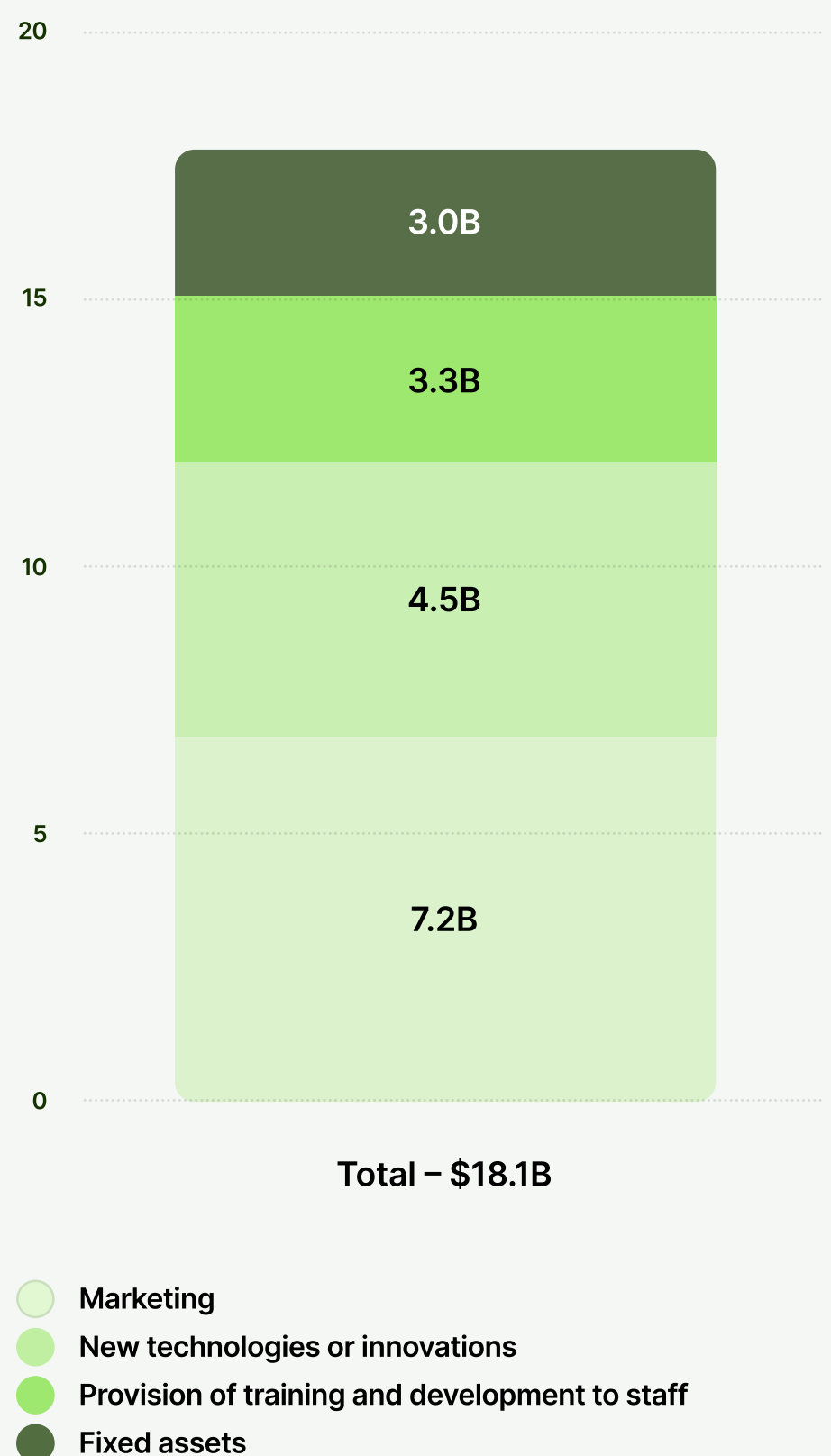


Methodology

We asked small businesses how they would invest the funds they pay to cover hidden fees each year across different small business activities. We also asked about the typical return on investment they have experienced from these activities in the past.

By combining these two numbers, we calculated that the indirect cost of hidden fees totals **\$18 billion** of foregone financial returns every year.

Annual indirect cost of hidden fees per business, by fee type and total



To mitigate the cost of hidden fees, small businesses hold **\$23 billion in cash**, forfeiting passive returns on this money



Finally, our research shows that to mitigate the chaos of unexpected hidden fees on their business, US small businesses keep a total of **\$23 billion** in cash reserves.



While this does not represent a cost to small businesses in the same way as foregone investment, it restricts small businesses' ability to hold money in a productive way. This more broadly represents a behavioral adjustment SMBs are making to reduce risk and guarantee their ability to withstand the impact of unexpected charges.



If these cash reserves were held more productively, this would represent a direct boost to SMBs' margins, and the wider US economy.

Estimated amount of cash held unproductively in response to hidden fees (billions)



FURTHER SURVEY INSIGHT



Vast majority of small business leaders agree that hidden fees are an **unfair growth tax**



Negative perceptions of hidden fees are common amongst small businesses, with **83%** of SMB leaders agreeing that they represent an **unfair growth tax**.



Four in five (**81%**) of respondents also note that hidden fees make comparing costs across products and services more difficult.

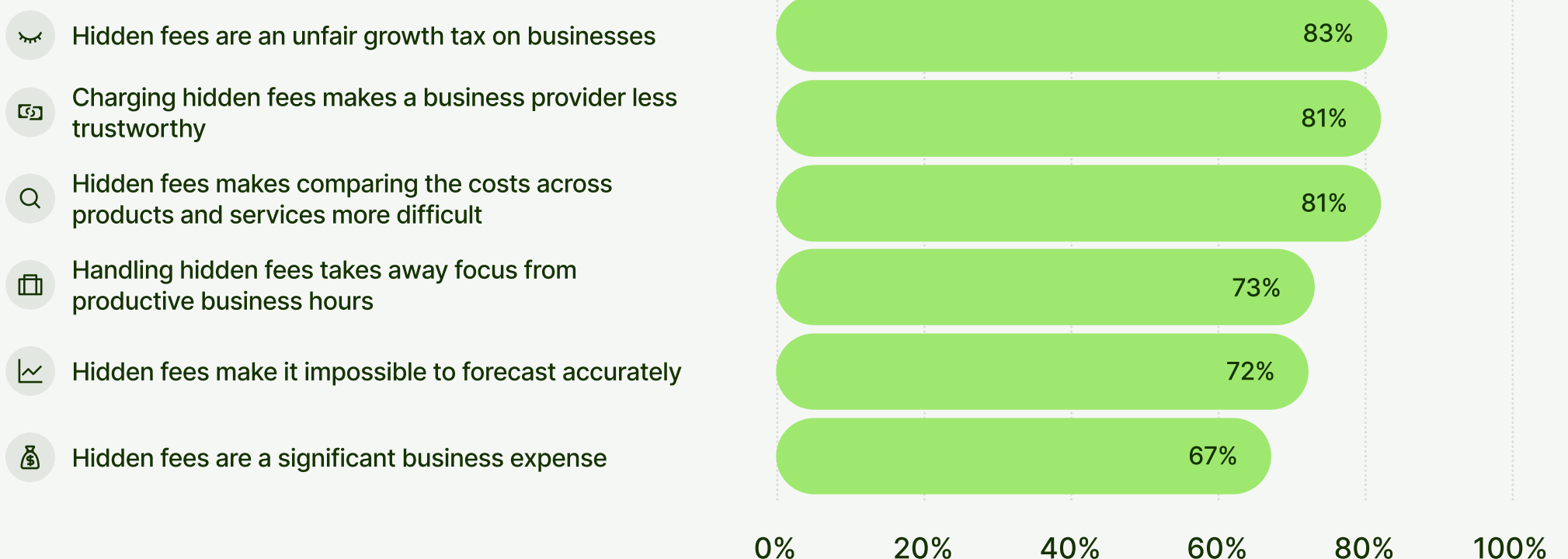
The same percentage of small business leaders say that **charging hidden fees makes a business or provider less trustworthy**.

“Charging hidden fees makes a business or provider less trustworthy.”



*Results have not been subject to weighting.

Share of small businesses that have been charged any type of hidden fee agreeing with the following statements



A fifth of small businesses report **managing foreign vendors** as amongst the most time-consuming international activities



Engaging in international business introduces new tasks that solely domestic operators do not encounter. This work can take up significant time, especially for SMBs that don't usually have access to the resources available to large, multi-national corporations.



Of those small businesses operating internationally, **21.9%** shared that one of the top three most time-consuming tasks is managing vendors in other countries.

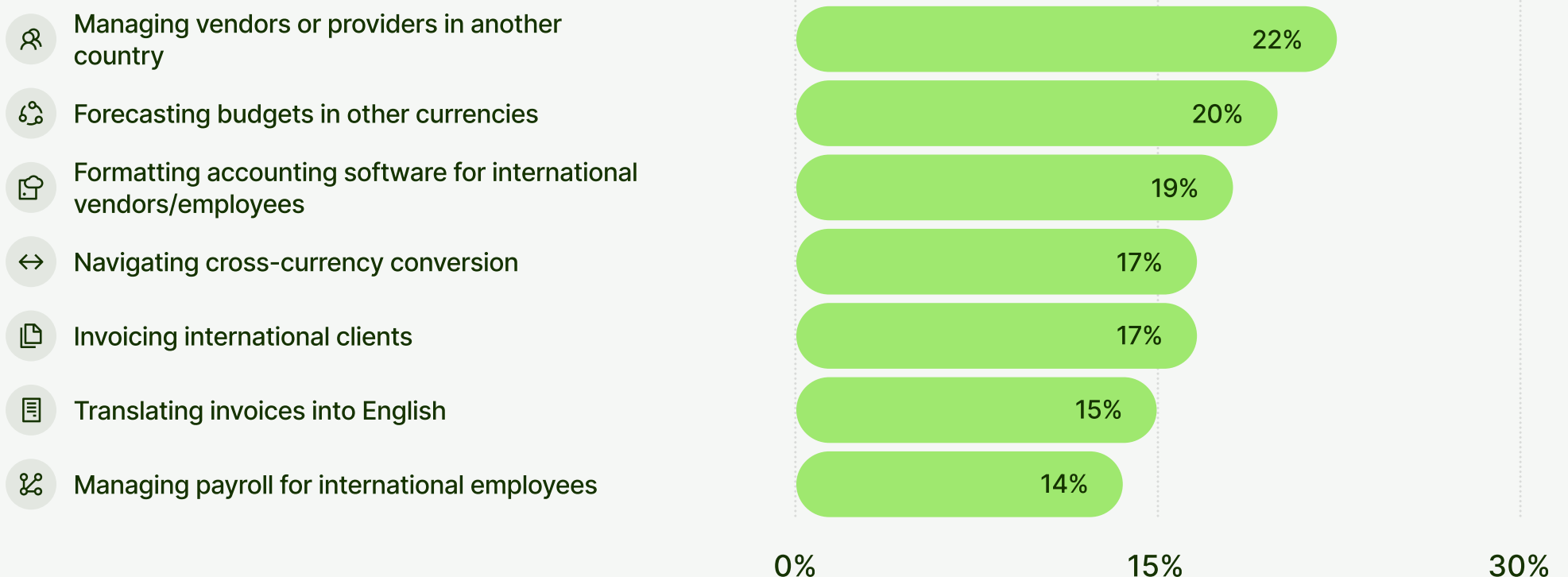


As we have seen, currency exchange is already made difficult due to the frequency of hidden fees. Thanks to the unpredictability of foreign exchange, **20.4%** of SMBs note that forecasting budgets in other currencies is one of the most time-consuming international tasks for their business.



Moreover, **17.2%** are spending significant time navigating currency conversion rates.

Share of small businesses reporting that the following took the greatest amount of time for their business (respondents may select up to three options)



Many SMBs hit with hidden fees are attempting to **reduce future exposure**, but some are still frequently forced to operate at a loss



Despite the difficulty of avoiding hidden fees, small business leaders are not idly accepting these concealed charges as part and parcel of running a small business. In fact, many SMB leaders are actively seeking to avoid them in the future.

More than one third (**36.9%**) of businesses charged hidden fees sought alternative financial providers to try and reduce future exposure, while one-third (**33.8%**) reported disputing past charges in an attempt to have them reversed.

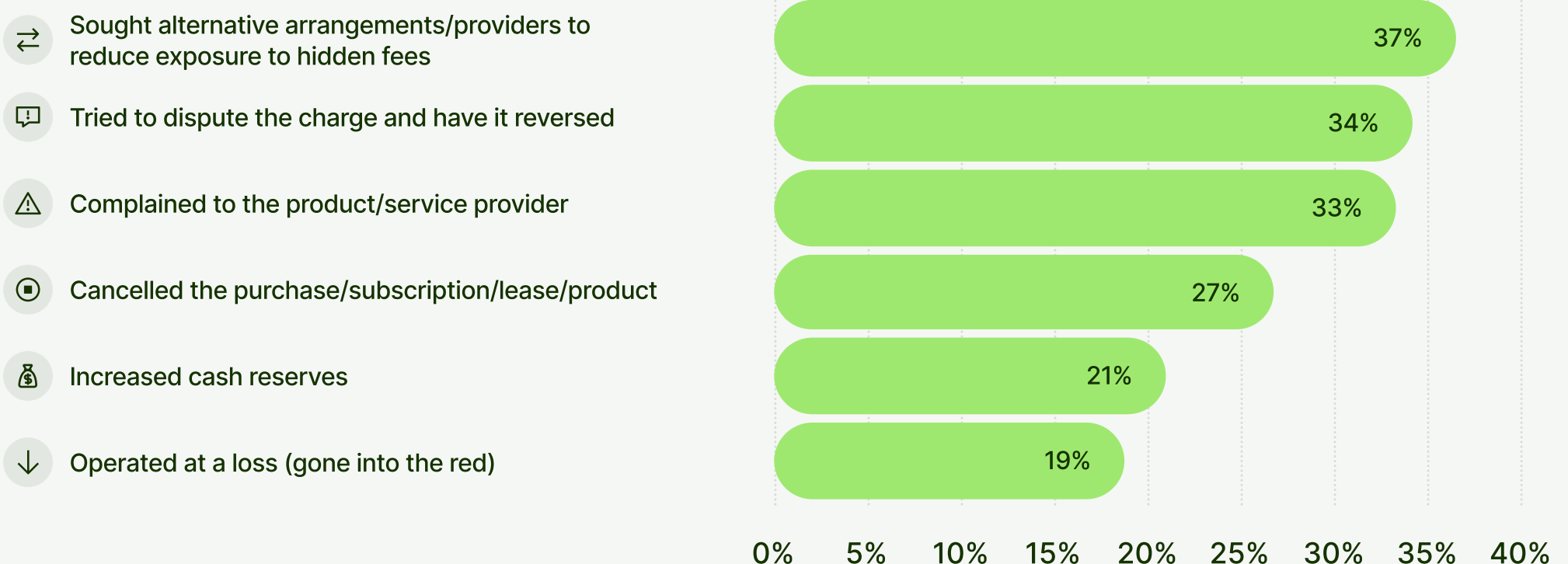


More concerning, almost 1 in 5 (**18.5%**) small business leaders that incur hidden fees say that hidden fees have caused them to operate at a loss. Among this group, two-thirds (**66.7%**) experience being tipped into the negative on at least a quarterly basis.



As noted earlier, hidden fees force small businesses to hold cash unproductively. Overall, **20.8%** of SMBs charged hidden fees reported increasing cash reserves in response to hidden fees.

Share of small businesses that have been charged any type of hidden fee who reported taking or experiencing the following



SMBs report **tax cuts** and **falling energy prices** as factors most likely to benefit them



Small business leaders referred to tax cuts (**52.5%**) and energy price declines (**45.6%**) as the factors most likely to have a positive effect on their business.

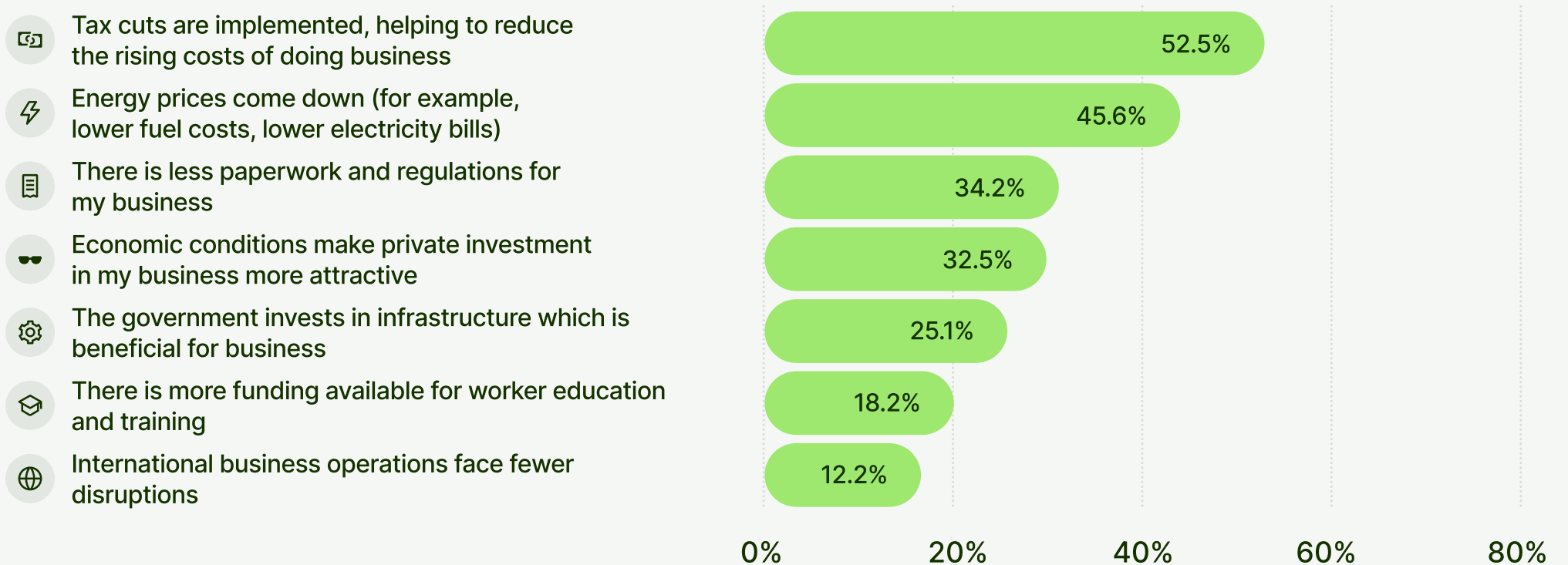
Healthcare businesses were most optimistic about tax cuts, with **72.7%** reporting they would have the biggest positive impact.

Energy price declines were most widely cited by construction (**55.9%**) and manufacturing (**52.9%**) businesses, two particularly energy-intensive sectors.



One-third of small businesses (**34.2%**) report that deregulation would have a positive impact on their business. Small businesses in Texas were relatively more likely to perceive deregulation to be a positive for their business, with **42%** of respondents in the state ranking this as among the three factors most likely to have a positive impact on their business.

Share of small businesses that reported the following as amongst the top three factors likely to have a positive impact on their business



Greater uncertainty and the prospect of tariffs present risks to small businesses' performance



US small businesses cite uncertainty as the main issue that could negatively impact their performance in 2025. Over half (**51.6%**) of all small businesses cite uncertainty as among the three factors with the biggest potential **negative** impact for their business. Over half (**56.6%**) of businesses with one-to-nine employees agree, as do **47.6%** of businesses with 10-49 employees.

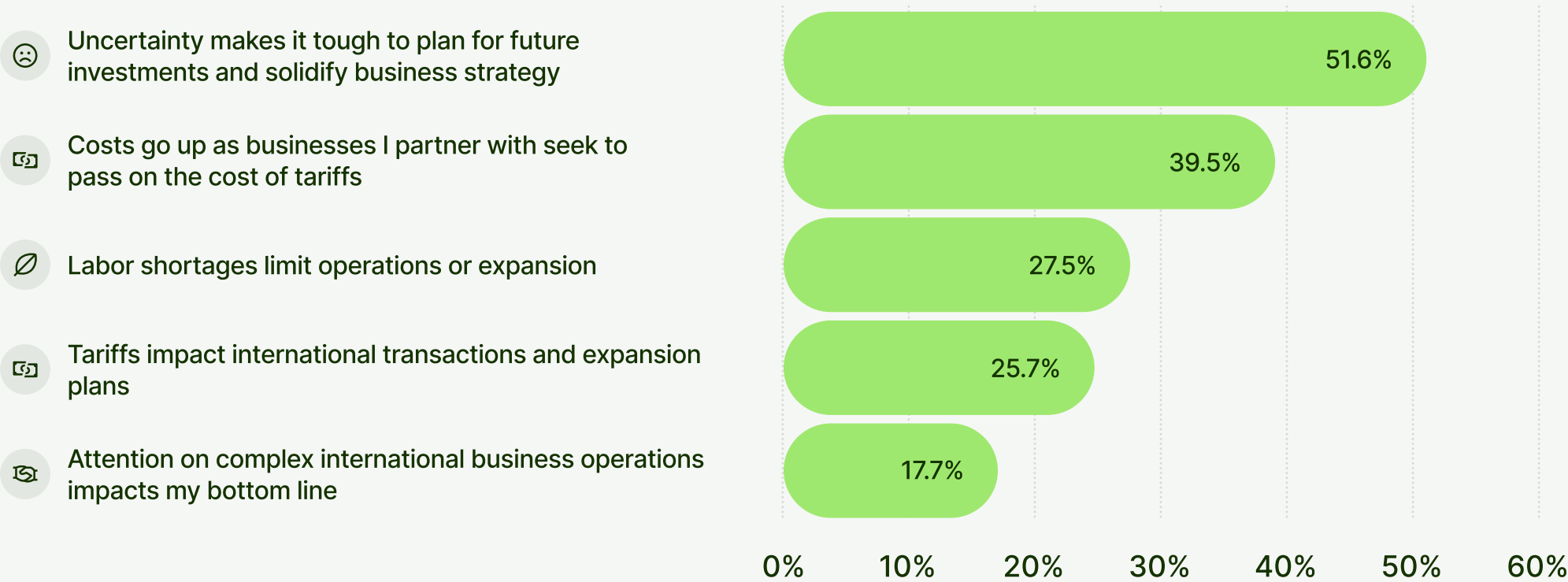


Tariffs and other international concerns were also widely cited as areas of increased uncertainty. The threat of new tariffs and subsequent retaliation from other countries raises the risk of higher costs from importing goods. Two-fifths (**39.5%**) of small businesses believed suppliers passing on the costs of tariffs would negatively impact their business. A quarter (**25.7%**) reported tariffs would negatively impact their international presence.



The impact of tariffs was more widely identified by relatively larger businesses. Almost half (**43.8%**) of businesses with 10-49 employees cited concern about costs being passed on by suppliers. In contrast, only **35.2%** of sole traders expressed concern on this topic.

Share of small businesses who reported the following would have the biggest negative impact on their business (respondents may select up to three options)



72% of small businesses remain optimistic for 2025, despite fears that cost increases are outpacing inflation



A majority (**60%**) of respondents stated that **running their small business is more chaotic now than it has ever been**. This number is even higher for those with international needs; **70%** of small businesses reported that **it is more stressful and emotionally taxing than ever before to manage the international financial aspects of their business**.



Inflation has been a core issue across the global economy since 2021. Despite continued declines in the rate of the inflation over 2024, **68%** of US small businesses in our survey reported that the costs of doing business were increasing at a faster rate, squeezing profit margins.



However, the impact of increasing costs vs inflation differed widely across industries. Small businesses in healthcare and construction were the most likely to agree that costs were rising faster than inflation, at **75.8%** and **75.7%** of respondents respectively.

At the other end of the scale, **61.8%** of manufacturing businesses agreed with this and **61.7%** of respondents in business services did as well.



Despite the vast challenges they face, most (**72.5%**) SMB leaders are optimistic about the outlook for small businesses in 2025.

This strong sentiment aligns with wider economic forecasts for the US, which have shown considerable resilience amidst global headwinds in recent years. The US is projected to be the G7's fastest growing economy in 2025.

Share of small businesses that have been charged any type of hidden fee who reported taking or experiencing the following



I have a positive outlook on the economic prospects for my business in 2025

72%



It is more stressful and emotionally taxing than ever before to manage the international financial aspects of my business

70%



The cost of doing business is increasing at a faster rate than inflation

68%



Running a business is more chaotic now than it has ever been

60%

0% 10% 20% 30% 40% 50% 60% 70% 80%

Methodology

Cebr was commissioned to assess the impact of hidden fees on US small businesses (SMBs). The research was supported by the findings of a bespoke survey, conducted by Opinium, of 1,000 SMB financial leaders in the US (businesses with fewer than 50 employees).

The survey explored the frequency with which small businesses are charged fees, the average cost they incur, small businesses' attitudes towards hidden fees, and the wider operating landscape.

To determine the indirect cost of hidden fees and their impact on behavioral responses, we asked small businesses to consider which areas of their business they would have invested the funds spent on hidden fees, were the charges to be recouped.

Unless otherwise stated, the analysis of the survey results was weighted by business size, which was identified as the business demographic most likely to be correlated with incurring hidden fees. Data are accurate as of Jan 21, 2025.

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