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SBA Proposes to Modify the Method for Calculating Annual Average Revenues for Small Businesses

WASHINGTON – The U.S. Small Business Administration today published a proposed rule to modify its method for calculating annual average revenues used to prescribe size standards for small businesses.

Specifically, SBA proposes to change its regulations on the calculation of annual average revenues from a three-year averaging period to a five-year averaging period. The proposed rule was published in the *Federal Register* today.

Comments can be submitted on the proposed rules on or before August 23, 2019, at www.regulations.gov, identified by the following RIN number: RIN 3245-AH16. You may also mail comments to Khem R. Sharma, Chief, Office of Size Standards, 409 3rd Street SW, Mail Code 6530, Washington, D.C. 20416.

This proposed change is based on the recent passage of the Small Business Runway Extension Act of 2018, Public Law No.115-324, which changed the requirements for proposed size standards prescribed by an agency without separate statutory authority to issue size standards. The intent of the law was to allow small business government contractors more time to prepare for the transition to the full and open market after they exceed the size standard.

Specifically, for service businesses, the law changed the averaging period for calculating annual average revenues from three years to five years. However, the law did not address the averaging period for calculating the size of other businesses. To promote consistency, SBA is proposing to adopt a five-year averaging period for all of SBA's revenue-based size standards, regardless of a business's industry.

If the averaging period for calculating annual average revenues changes from three years to five years, many firms may regain or retain their small business size status for federal procurement and SBA's loan programs. However, the change may also cause some small businesses to lose their small business status or have their small status shortened.

For more information about SBA's revisions to its small business size standards for various industry sectors, please visit SBA's Web site at <http://www.sba.gov/size>.

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About the U.S. Small Business Administration

The U.S. Small Business Administration makes the American dream of business ownership a reality. As the only go-to resource and voice for small businesses backed by the strength of the federal government, the SBA empowers entrepreneurs and small business owners with the resources and support they need to start, grow or expand their businesses, or recover from a declared disaster. It delivers services through an extensive network of SBA field offices and partnerships with public and private organizations. To learn more, visit www.sba.gov.
