

In The News: SPECIAL ALERT

Small Business Administration Makes Inflation Adjustment to Size Standard

On December 6, 2005, SBA increased by 8.7% most of its monetary-based small business size standards (e.g., receipts, net income, net worth, and financial assets) for the effects of inflation that had occurred since the time of the previous adjustment in February 2002 (70 FR 72577).

Since then, the U.S. economy has experienced additional inflation, due in part to significant increases in the price of crude oil. Because of the rapid rate of increasing inflation and the important policy objective of maintaining the value of size standards in inflation-adjusted terms, SBA is further adjusting the size standards implemented in the 2005 interim final rule.

In all, this rule increases size standards since February 2002 by 18.2 percent, that is, by an additional 8.7 percent over the 8.7 percent increase in the 2005 interim final rule ($1.087 \times 1.087 = 1.182$, or 18.2 percent). This additional increase ensures that size standards are up-to-date for determining small business status and restores the eligibility of businesses that may have lost their small business status due solely to price level increases rather than from increases in business activity.

The December 6, 2005 interim final rule increased SBA's most common size standard for the retail trade and services industries (referred to as the "nonmanufacturer anchor size standard") from \$6.0 million in average annual receipts to \$6.5 million. This rule further increases the nonmanufacturer anchor size standard to \$7.0 million. This rule also increases other monetary-based size standards proportionately.

The revisions adopted by this final rule demonstrate that SBA must stay abreast of changes in the economy to ensure that size standards are established at appropriate levels. To meet that objective, SBA is conducting a comprehensive review of all of its small business size standards over a 2-year period. This review will consist of a series of proposed rules beginning in 2008 examining industries within a specific NAICS Industry Sector. SBA expects that, as a result of this comprehensive review, it will propose in the future additional revisions to certain size standards based on its evaluation of industry data.