

Small-Business Size Standards

Size-standard reform must adhere to SBA's mission of helping America's small businesses

There are currently 37 various size levels by which small businesses are classified under the North American Industry Classification System (NAICS). In both 2004 and 2005, the U.S. Small Business Administration's Office of Size Standards proposed changing the size standards used to qualify small businesses for government programs from a system based on annual receipts to number of employees. The proposals also would have reduced the number of small business size levels to 10. NSBA supports this simplification of the current system.

Since any abrupt change to the current small-business size-standard system could cause severe financial hardship to small businesses already participating in governmental programs, NSBA urges the use of a sufficient transition period and appropriate grandfather language. It is imperative that a small business that already has received a 7(a) loan or has partially completed a government contract not be forced to withdraw from its participation in governmental programs.

NSBA also is adamant that any new standard based on the number of employees **MUST** incorporate a calculation to deal with part-time employees. Industries that rely heavily on part-time employees would be significantly harmed without the ability to use hours-worked per-week in proportion to the percentage of full-time employees when calculating their employee size.

Additionally, any ongoing calculations required to determine a company's size must be explained in plain-language and take care not to impose any significant paperwork burden.

NSBA supports small-business size standards that provide clear and sensible definitions that are industry-specific and easy to navigate. Any change to the size standards must include clear full-time employee definitions, reasonable methods of dealing with industries that employ large numbers of part-time employees, and appropriate transition times.