

## **Frequently Asked Questions and Answers**

### **Size Standards**

#### **1. What is a small business concern?**

**A.** A small business concern is organized for profit; has a place of business in the United States; makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor; is independently owned and operated; is not dominant in its field, on a national basis; and is no larger than SBA's small business size standard for its industry. A business can find the size standard for its industry in [SBA's Table of Size Standards](#).

#### **2. What are small business size standards?**

**A.** Small business size standards are numerical definitions of what constitutes a small business. A business concern is small if it is at or below a size standard. If a business concern is small it is eligible for Federal government programs reserved for small business concerns. Size standards have been established for types of economic activity, or industry, as defined under the North American Industry Classification System (NAICS). The most size standards are defined based on either average number of employees over the past 12 months or average annual revenues over the past three years. The most common standards are as follows:

\$0.75 million for most agricultural industries

\$33.5 million for heavy construction industries

\$14.0 million for specialty trade contractors

500 employees for most manufacturing and mining industries

100 employees for all wholesale trade industries

\$7.0 million for most retail and service industries

(For complete list of size standards, see the SBA's [Table of Small Business Size Standards](#)).

About one-fourth of industries have a size standard that is different from these levels. They vary from \$0.75 million to \$35.5 million for size standards based on average annual revenues and from 100 to 1,500 employees for size standards based on number of employees. Several SBA programs have either alternative or unique size standards. For instance, the Small Business Innovation Research Company (SBIC) and Certified Development Company (CDC) Programs use either the industry based size standards or net worth and net income based size standards.

### **3. How does SBA develop or revise size standards?**

**A.** Based on the analyses of relevant industry, program and other factors, SBA's Size Standards Division makes recommendations to the Administrator for developing or revising size standards. The Small Business Act authorizes the SBA's Administrator to establish small business size standards.

In general, SBA, for each industry, examines the following primary factors in developing or revising the size standard.

- industry structure
  - average firm size
  - average assets size as a measure of start up costs and entry barriers
  - industry concentration
  - size distribution of firms
- Federal procurement – small business share in federal contracts

SBA also considers the following secondary factors.

- technological change
- competing products from other industries
- industry growth trends
- history of the activity in the industry
- impacts on SBA programs

SBA also considers public comments on proposed rules before issuing any final rule. For a detailed description on how SBA develops or revises size standards, see "[Size Standards Methodology White Paper](#)" on its Website at [www.sba.gov/size](http://www.sba.gov/size).

### **4. Does SBA issue certificates for firms to qualify as small businesses?**

**A.** The answer is no. To participate in Federal procurement, a business must first register in the Central Contractor Registration (CCR), which is available on the internet at <http://www.ccr.gov>. Based on information that a company provides in CCR (such as the amount of receipts, the number of employees, *etc.*) it will be identified as "small" or "other than small" (*i.e.*, large) for each of the North American Industry Classification System (NAICS) codes being selected. (For assistance with registering in CCR, go to the CCR help page at <https://www.bpn.gov/ccr/help.aspx>.)

The firm can then self-certify its small business status in Online Representations and Certifications Application (ORCA) at <http://orca.bpn.gov>. The firm must be small and have certified that it is small when it submits its best and final offer with price, based on the size standard specified in the solicitation. Federal agencies use ORCA to verify a company's small business size status for each contract for which it competes.

**5. Does SBA keep lists of eligible small businesses or issue certificates for firms to qualify as small businesses?**

A. The answer is no. The only lists that SBA maintains are for 8(a) Business Development program participants and HUBZone businesses.

**6. How does SBA determine affiliation?**

A. Concerns and entities are affiliates of each other when one controls or has the power to control the other, or a third party or parties controls or has the power to control both. SBA considers factors such as ownership, management, previous relationships with or ties to another concern, and contractual relationships, in determining whether affiliation exists. In determining the concern's size, SBA counts the receipts, employees, or other measure of size of the concern whose size is at issue and that of all of its domestic and foreign affiliates, regardless of whether the affiliates are organized for profit. For more information on how SBA determines affiliation, see [13 CFR 121.103](#). "[Guide to Size Standards](#)" on SBA's size standards Website at <http://www.sba.gov/size> provides typical examples of affiliation.

**7. My firm desires to joint venture with another firm to bid on a Government contract. Each of us is below the size standard individually, but not when we are combined. Are we eligible to bid as a small business?**

A. Only for certain procurements could this joint venture qualify as a small business. In a joint venture both firms share, in some proportion, the responsibility and the profits or loss on a contract. They are considered affiliated for the purpose of that contract. Normally, the revenues or the employees of both firms are added together to determine the size of a joint venture. However, on certain large Federal procurements, a joint venture comprised of only small businesses would qualify as a small business joint venture. This is limited to (1) procurements that exceed \$10 million in value that are classified with an NAICS industry having an employee-based size standard, or (2) procurements that exceed one-half of the size standard for procurements classified with an NAICS industry having a revenue-based size standard. Also, certain 8(a) firms may joint venture with other firms without being considered affiliates (see [13 CFR §§ 121.103](#) and [124.513](#) for more information).

**8. How can I restructure my firm or firms so I still maintain ownership, but become eligible as a small business? I am not now a small business.**

A. Restructuring your firm for the primary purpose of becoming small under a size standard would not change your size status.

**9. A Federal agency wishes to grant regulatory relief for small business entities. Must it use SBA's size standards to define small business?**

A. Generally, Federal agencies use the SBA's size standards. However, if an agency believes that another small business definition is more appropriate for its program needs, the agency must obtain the SBA Administrator's approval before using it. First, however, the Agency must consult with SBA's Office of Size Standards to determine if it should request a more suitable small business definition from the SBA Administrator. See [13 CFR §§121.901-904](#).

**10. How do Federal Agencies use the SBA's size standards?**

A. With few exceptions, all Federal Agencies use the size standards established by SBA to procure goods and services from eligible small businesses. Most Agencies set aside a share of their procurement activity exclusively for small businesses. In addition, many other political entities, such as state and local governments, adopt SBA's size standards. Most Federal Agencies reserve all or some of their programs for small businesses. For instance, the SBA has a number of loan programs for qualified small businesses

**11. Can a Federal agency making a small business set-aside procurement use, at its discretion, a size standard other than what SBA has designated?**

A. No. Under law, each Federal agency must use the SBA's size standards on small business set-aside procurements. No Federal agency has authority to establish size standards different from the SBA's size standards on set-aside procurements.

**12. My business operates under a franchise. Am I affiliated with the franchiser or with similar franchisees?**

A. A franchisee operating under its own ownership, own management, and for its own profit (or loss) would generally not be affiliated with the franchiser or other franchisees through the franchise arrangements, except under unusual circumstance. For further information, see SBA's Franchise Registry at <http://www.franchiseregistry.com> to see if your franchise is already eligible.

**13. A solicitation was issued under an NAICS code with a \$7.0 million size standard. In my opinion, a different NAICS with a \$14 million size standard should have been used. How can I correct this?**

A. You have the right to appeal the contracting officer's NAICS designation to [SBA's Office of Hearings and Appeals](#) (OHA) usually no later than 10 working days before bid opening or deadline for proposal submission. Please note that in some cases OHA accepts appeals no later than five working days from the bid opening. Specific procedures are contained in [13 CFR §§ 121.1101-1103](#). Informal discussions with the contracting officer to change the designation voluntarily may be an alternative solution.

**14. I am convinced a firm which bid in competition with me on a Federal set--aside procurement is not a small business. How can I prevent it from receiving the award?**

A. If you are a small business bidder, you are an interested party in this procurement. Once the apparently successful offeror has been identified on a Request for Proposals or at a bid opening, you may challenge your competitor's small business self-certification. Notify the contracting officer of the matter according to the procedures set forth in [13 CFR §§ 121.1001-1010](#). Your challenge must be timely and set forth specific alleged grounds. The contracting officer is required to forward the challenge to SBA for a size determination.

**15. A small business was awarded a set aside Federal procurement. I do not believe that the firm selected was an eligible small business. I would like to protest the award based on the fact that the firm was not an eligible small business. What should I do?**

A. To file a size protest, you must: 1) be an eligible unsuccessful bidder for the procurement awarded to the small business; 2) file your protest within 5 days after notice of award with the Federal agency and contracting officer; 3) state specific grounds upon which the firm awarded the contract was not eligible; and 4) offer information in support of your protest. For more information, see [13 CFR §§ 121.1001-1010](#).

**16. I am a member of an agricultural cooperative. Does that mean that I am affiliated with the cooperative? Am I still a small business?**

A. You are not considered an affiliate of the agricultural cooperative by virtue of your membership in the cooperative. If you meet the small business size standard for your agricultural enterprise, you are a small business.

**17. What about the cooperative? Can it qualify as a small business?**

A. So long as the agricultural cooperative meets the size standard for the agricultural industry involved, it can qualify as a small business. Businesses that do not meet the size standard for their industries cannot be members of the agricultural cooperative if it intends to be considered a small agricultural cooperative. That is, each individual member of the agricultural cooperative must be a small business concern.

**18. How do I determine what my NAICS code is?**

A. You can go to the U.S. Census Bureau's Website at <http://www.census.gov/naics> and search for possible NAICS codes using a keyword describing the product or services you offer. Usually, you will see several NAICS codes involving the keyword you entered. If you are not sure which one is most applicable to you, click on a NAICS code for a detailed

description of activity or activities covered by that NAICS code and select the one that is the closest to products or services you offer. Note that more than one NAICS code may apply to you.

**19. How do I find the size standard for my NAICS code?**

A. Go to the [Table of Size Standards](#) on SBA's Website at <http://www.sba.gov/size> and select one of the tables, in the format you prefer, to find your NAICS code with its matching size standard. Note that if you have more than one NAICS code, you should count the total sales or employees from all NAICS codes combined, not sales or employees associated with each NAICS code individually.

**20. Where can I find more information about size standards?**

A. Go to SBA's size standards Website at <http://www.sba.gov/size>. You can also contact SBA's Office of Size standards by e-mail at [sizestandards@sba.gov](mailto:sizestandards@sba.gov) or by phone at (202) 205-6618.