

# Small Business Notes

## *In this issue:*

- U.S. Small Business Administration Publishes Final Rule Implementing “Small Business Runway Extension Act” Providing New Method of Size Calculation for Businesses Using Revenue Based Size Standards

## **U.S. Small Business Administration Publishes Final Rule Implementing “Small Business Runway Extension Act” Providing New Method of Size Calculation for Businesses Using Revenue Based Size Standards**

[For earlier information see *Small Business Notes* for May 2019 and July 2019]

On December 5, 2019, the U.S. Small Business Administration published its final rule implementing the Small Business Runway Extension Act (P.L. 115-324) making substantial changes to the way in which small businesses, especially government contracting small businesses, compute their status as “small.”

[The rule appears at 84 Fed. Reg. 234 at 66561 et seq.; December 05, 2019.]

The new rule deals with those businesses which use revenue based size standards (as opposed to those using number-of-employees standards). Before the new rule, the Small Business Administration, in making its determination of size status for government contracting, looked at the average annual revenue of a business over the past three years. The new rule expands the counting period to average annual revenue over the past five years. This is intended to result in more business having or retaining “small” status since they can take a longer period to spread their revenues.

The new rule takes effect January 6, 2020 and has a transition period from that date through January 6, 2022, when a business may calculate its revenues using EITHER the three year or five year average. Businesses which have been in business for less than five years calculate revenues by dividing receipts by the number of weeks the business has been operational and then multiplying that number by 52.

# Small Business Notes

Past issues of Small Business Notes are available on the Department of Employment and Economic Development website at [Small Business Notes](#)

---

*Small Business Notes is published to offer timely, accurate, and useful information on topics of concern to small businesses in Minnesota. It is for general information purposes only. It is not legal advice and should not be relied on for resolution or evaluation of legal issues or questions. Readers are advised to consult with their private legal advisors for specific legal advice on any legal issues they may have.*

*Information in Small Business Notes on tax matters, both federal and state, is not tax advice and cannot be used for the purposes of avoiding federal or state tax liabilities or penalties or for the purpose of promoting, marketing or recommending any entity, investment plan or other transaction. Readers are advised to consult with their private tax advisors for specific tax advice on any tax related issues they may have.*



**Department of Employment and Economic Development**

1<sup>st</sup> National Bank Building, 332 Minnesota, Suite E200, Saint Paul, MN 55101-1351  
651-259-7114 | Toll Free: 800-657-3858 | Fax: 651-296-5287 | TTY/TDD: 651-282-5909 | [MN DEED](#)

*An Equal Opportunity Employer and Service Provider*