15 SBA 8a Eligibility Requirements

These 15 core SBA 8(a) eligibility requirements looked at by the SBA and are all important factors to determine if your company is worthy of succeeding in the 8(a) Business Development program. If you do not currently meet all 15 eligibility requirements, to make changes over the next 6-12 months to bring your company into compliance with 8(a) rules and regulations.

1. Social disadvantage:

The following individuals are presumed socially disadvantaged: Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, & Subcontinent Asian Americans. Remember, an individual who is not a member of one of the "presumed groups" can be admitted into the 8(a) Business Development program. To do so, the business must provide evidence to SBA proving one's individual social disadvantage. Evidence of individual social disadvantage must include: (a) At least one objective distinguishing feature such as race, ethnic origin, gender, physical handicap, long-term residence in an environment isolated from the mainstream of American society, or other similar causes not common to individuals who are not socially disadvantaged. (b) Personal experiences of substantial and chronic social disadvantage in American society, not in other countries. (c) Negative impact on the individual's entrance into the business world or advancement in the business world because of the stated disadvantage(s).

2. Personal net worth must be under $250K:

This personal net worth figure takes into account all of your cash, checking and savings accounts, real estate (except your personal residence), IRAs, 401Ks, stocks, bonds, automobiles, motorcycles, RVs, and other assets. The value of your company is declared on the personal financial statement (SBA Form 413); however, it is not counted towards the personal net worth cap.

3. Annual Salary:

The 8(a) applicant must be the highest paid person in the company. His or her annual salary must be reasonable for the industry and reasonable in proportion to the company's annual gross revenue. (In other words, if your company earned only $100K in revenue in 2012 and you took $95K of that money for your salary, you are making what the SBA calls "excessive withdrawals" from your company, a potential 8(a) application negative.)

4. Total Current Market Value of All Assets:

The current market value / face value of all of the 8(a) applicant's assets (ignoring the liabilities completely) must be under $4 million.

5. Average 2-year Adjusted Gross Income (AGI):

The applicant's two-year average adjusted gross income (AGI) must be under $200K.

6. Citizenship:

The applicant must prove his or her American citizenship with a birth certificate, passport, or other documentation.

7. Business Size:

The company must be a small business according to current SBA size standards, which are expressed in terms of either gross revenue (dollars) or staff levels (number of employees). Size standards are set by the SBA according to North American Industrial Classification System (NAICS) codes. Determine your company's primary NAICS code based upon the most recent 12 months of business activity and then look up the corresponding size cap here: http://www.sba.gov/sites/default/files/Size_Standards_Table.pdf

8. Control:

A socially and economically disadvantaged person must have full, unfettered control of the company including both strategic decision-making and day-to-day operations. This person must hold the highest, most powerful title in the company also...no exceptions.

9. Ownership:

51% or more of the company must be owned by one or more socially and economically disadvantaged individuals. Also, quoting the SBA directly, "A business can also qualify for the 8(a) BD program if the firm is owned by an Indian tribe, an Alaska Native Corporation (ANC), a Native-Hawaiian Organization (NHO), or a Community Development Corporation (CDC)."

10. Contract Performance:

The applicant company must have a substantial contract performance history including one contract completed within the most recent 12 months and a balanced portfolio of clients/projects. Over-reliance on any one client (meaning 70 percent or more of gross revenue stemming from just one client) is viewed by the SBA as a significant problem.

11. Age of the Company:

Chronological age of the company is not as important as having two recent consecutive federal tax returns proving your company has earned revenue. No tax return? Apply to the 8(a) program later after you have at least one tax return to show SBA (and meet all of the other early admission requirements). No revenue on your company tax returns? Unfortunately your company will not be considered to be economically viable by the SBA at this time. Your company requires a certain level of stability or "potential for success" to gain admittance into the 8(a) program, and this means proof of revenue is required.

12. Full time devotion to the applicant firm:

The 8(a) applicant must dedicate themself full time to managing the 8(a) firm (during normal operating hours for the industry) without any outside employment or interference (e.g., full time student status.) Your attention needs to be devoted 40+ hours per week towards ensuring the success of the applicant company within the 8(a) program. Do you own multiple businesses? If yes, the SBA will make you prove that these other companies don't interfere with your full time management of the applicant firm.

13. Good moral character:

Applicants with felony convictions and are currently on parole are not allowed to receive the federal benefit of 8(a) certification. Divulge all past arrests and detainments by police to the SBA, which will in turn validate the information with the FBI. Good moral character is an essential 8(a) program eligibility requirement.

14. No unpaid federal obligations:

The applicant firm—and all of its owners, officers, directors, managers, bank signatories, and key employees—must pay all federal obligations including taxes, student loans, etc. before receiving 8(a) certification.

15. Company financial stability:

To the SBA, "disadvantaged" does not mean "destitute." Your company needs to have about 3 months' worth working capital in its accounts or else it needs to have ample credit and loan resources to help it survive. If your company is struggling to keep open, then most likely you are not a good candidate for the 8(a) program until your company stabilizes. The federal government will only admit a company into the 8(a) program if it believes the company has enough stability, viability, and "potential for success" to last all 9 years in the program. The SBA also expects your company to have enough resources and finances to perform large federal contracts and expand in response to increasing federal contracting workloads.