

October 1, 2025

Acquisition Thresholds for Small Business Contractors

In federal government procurement, certain dollar amounts, or “acquisition thresholds,” determine whether some procurement policies apply. A contract’s dollar value relative to certain acquisition thresholds may determine whether and to what extent contracting preferences for small businesses are used (e.g., whether a contract is set aside for small businesses or made as a sole-source award). Congress has established and modified acquisition thresholds through legislation, in addition to specifying a process for their regular adjustment for inflation. This In Focus explains the major acquisition thresholds important for small business contracting programs and policies.

Definition of an Acquisition Threshold

An acquisition threshold is a dollar value at which procuring agencies implement various contracting procedures, requirements, or restrictions. Two examples include the *simplified acquisition threshold* (SAT) and the *micro-purchase threshold* (MAT). Purchases below the SAT can be made through simplified acquisition procedures outlined in Part 13 of the Federal Acquisition Regulation (FAR), while purchases below the MAT can be made via a government purchase card.

These thresholds vary depending on the type of acquisition and the circumstances under which an acquisition is made. For instance, the SAT and MAT are higher for acquisitions that support contingency operations or facilitate defense against certain attacks.

Selected thresholds affecting small business acquisitions and federal contracting programs for small businesses are described below.

Simplified Acquisition Threshold

The general SAT is currently set at \$350,000, per the most recent inflationary adjustment on October 1, 2025. The SATs for purchases that support contingency operations or facilitate defense against certain attacks are currently \$1 million and \$2 million, respectively. The SAT for “commercially available off-the-shelf (COTS) items” is currently \$9.5 million.

When a contract award’s value is expected to be above the MAT (currently set at \$15,000) and beyond the limit for purchase cards but beneath the SAT, an agency must award the contract to a small business “unless the contracting officer determines there is not a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of fair market prices, quality, and delivery” (15 U.S.C. §644(j)(1); 48 C.F.R. §19.502-2(a)). This policy is known as the Rule of Two.

For contracts above the SAT, regulations stipulate that agencies must also generally set aside contracts exclusively for small businesses, as long as a contracting officer expects that offers will be obtained from at least two responsible small businesses and the award will be made at a fair market price (48 C.F.R. §19.502-2(b)). This is a regulatory Rule of Two that is not statutorily mandated. It stems from the Small Business Act’s directive to “ensure a fair proportion” of federal contracts are made to small businesses (15 U.S.C. 644(a)(1)(C)).

Regulations (48 C.F.R. §19.203(c)) also state that before making a small business set-aside for acquisitions above the SAT, a contracting officer must “first consider an acquisition for the small business socioeconomic contracting programs”—i.e., contracting programs for certain types of small businesses, such as businesses located within a Historically Underutilized Business Zone (HUBZone), service-disabled veteran-owned small businesses (SDVOSBs), women-owned small businesses (WOSBs), and 8(a) Program participants.

Sole-Source Award Limits

Agencies may make sole-source awards to certain types of small businesses subject to certain acquisition thresholds that generally range from \$5.5 million to \$8.5 million.

Table 1. Sole-Source Award Limitations

Type of Small Business	Sole-Source Award Limit	Statutes and Regulations
8(a) Program Participant ^a	\$5.5 million (\$8.5 million for manufacturing contracts)	15 U.S.C. §637(a)(16)(A); 48 C.F.R. §19.805-1(a)(2)
Alaska Native Corporation (ANC) or Indian Tribe-Owned 8(a)	No limit, written justification required for contracts in excess of \$30 million (\$150 million for DoD contracts) ^b	15 U.S.C. §637 note; 48 C.F.R. §19.805-1(b)(2); 13 C.F.R. §124.506(b)(5)
Native Hawaiian (NHO) 8(a)	No limit for DoD contracts, written justification required for contracts in excess of \$150 million	See P.L. 109-148, §8020, 119 Stat. 2702-03 (December 30, 2005); 48 C.F.R. §219.805-1(b)(2)(A)-(B); 13 C.F.R. §124.506(b)(5)

Type of Small Business	Sole-Source Award Limit	Statutes and Regulations
WOSBs	\$5.5 million (\$8.5 million for manufacturing contracts)	15 U.S.C. §637(m); 48 C.F.R. §19.1506(a)-(c)
SDVOSBs	\$5 million (\$8.5 million for manufacturing contracts)	15 U.S.C. §657f(c); 13 C.F.R. §128.405
HUBZone	\$5.5 million (\$8.5 million for manufacturing contracts)	15 U.S.C. §657a(c)(2)(A); 48 C.F.R. §19.1306

Sources: CRS analysis of *U.S. Code* and *Code of Federal Regulations*.

Notes: Sole-source award limits include a contract's anticipated total value, including any options.

- a. Once they have been awarded more than \$168,500,000 in 8(a) contract awards, participant firms owned by individuals may not receive any additional 8(a) sole-source awards, though they can still receive set-asides. This amount is set forth at 13 C.F.R. §124.519. SBA will not count awards of less than SAT toward this limit.
- b. P.L. 111-84, the National Defense Authorization Act for Fiscal Year 2010, required federal contracting officers to execute written justifications and obtain approval for sole-source contracts in excess of \$20 million. P.L. 116-92, the National Defense Authorization Act for Fiscal Year 2020, increased this threshold to \$100 million for DOD (but not for other agencies).

Subcontracting Plan Threshold

The federal government maintains a policy of creating “maximum practicable” subcontracting opportunities for small businesses. Certain prime contractors must submit a subcontracting plan to their purchasing agency, in which they describe their subcontracts and subcontractors. In general, prime contract offerors must submit subcontracting plans to an agency when a contract value is greater than \$950,000 (or \$2 million for construction contracts) and subcontracting possibilities exist (48 C.F.R. §19.704).

Acquisition Threshold Adjustment

Congress required regular adjustments of statutory acquisition-related thresholds to account for inflation in section 807 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375), codified at 41 U.S.C. §1908. An adjustment is required every five years (on October 1 of each year evenly divisible by five). The Federal Acquisition Regulatory (FAR) Council has the responsibility of adjusting each threshold and publishing them in the Federal Register. The most recent adjustment became effective October 1, 2025 after a final rule published at 90 *Federal Register* 41872.

Adjustment Calculations

Per 41 U.S.C. §1908, adjustments to thresholds are calculated on the basis of changes in the Consumer Price

Index for all-urban consumers, published monthly by the Secretary of Labor. Adjusted threshold values are then rounded. Where the value is

- between \$100,000 and \$1,000,000, it is rounded to the nearest \$50,000;
- between \$1,000,000 and \$10,000,000, it is rounded to the nearest \$500,000;
- between \$10,000,000 and \$100,000,000, it is rounded to the nearest \$5,000,000; and
- between \$100,000,000 and \$1,000,000,000, it is rounded to the nearest \$50,000,000.

Adjustment Impacts

As stated in the most recent *Federal Register* notice announcing 2025 threshold adjustments, the FAR Council does not expect adjustments to have “a significant impact on the public or the Government because the rule is intended to maintain the status quo” by adjusting for inflation. However, rounding to values no smaller than \$50,000 in the case of the SAT might result in relatively larger adjustments than needed to maintain the status quo. Alternatively, because adjustments occur every five years, thresholds may lag behind what would be required to maintain the status quo in periods of higher inflation.

Congressional Issues

In addition to legislating the requirement for their periodic adjustment via P.L. 108-375, Congress has directly legislated certain changes in acquisition thresholds. The Federal Acquisition Streamlining Act of 1994 (P.L. 103-355) increased the SAT to \$100,000 from \$25,000. More recently, Section 805 of the NDAA for FY2018 (P.L. 115-91) increased the SAT to \$250,000, the SAT level prior to the most recent adjustment for inflation.

Congress may periodically consider whether acquisition thresholds advance policy aims, and consider altering them. The SAT, in particular, affects the cost of contracting for agencies and contractors. For agencies, solicitation and selection procedures may be less onerous for awards under the SAT, while for contractors, the bid process may be less costly. For more information about the acquisition process, see CRS Report RS22536, *Overview of the Federal Procurement Process and Resources*.

Additional reasons Congress might consider legislatively changing thresholds such as the SAT include general changes in the procurement policy environment over time. For example, purchasing centralization or other federal procurement policy trends may contribute to rising contract values (apart from increases due to inflation) over time.

R. Corinne Blackford, Analyst in Small Business and Economic Development Policy

IF13123

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.