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119TH CONGRESS
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HOUSE OF REPRESENTATIVES
REPORT
119–125

SMALL ENTITY UPDATE ACT

JUNE 3, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HILL of Arkansas, from the Committee on Financial Services, submitted the following

REPORT

[To accompany H.R. 3382]

The Committee on Financial Services, to whom was referred the bill (H.R. 3382) to require the Securities and Exchange Commission to carry out a study and rulemaking on the definition of the term "small entity" under the securities laws for purposes of chapter 6 of title 5, United States Code, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Small Entity Update Act".

59–006

SEC. 2. STUDIES, REPORTS, AND RULES REGARDING SMALL ENTITIES.

(a) DEFINITIONS.—In this section—

(1) the term "Commission" means the Securities and Exchange Commission; and

(2) the term "small entity"—

(A) has the meaning given the term in section 601 of title 5, United States Code, with respect to the activities of the Commission; and

(B) includes any definition established by the Commission of the term "small business", "small organization", "small governmental jurisdiction", or "small entity" under paragraph (3), (4), (5), or (6), respectively, of section 601 of title 5, United States Code, with respect to the activities of the Commission.

(b) STUDIES AND REPORTS.—Not later than 1 year after the date of enactment of this Act, and again 5 years thereafter, the Commission shall—

(1) conduct a study of the definition of the term "small entity" with respect to the activities of the Commission for the purposes of chapter 6 of title 5, United States Code, which shall consider—

(A) the extent to which the definition of the term "small entity", as in effect during the period in which the study is conducted, aligns with the findings and declarations made under section 2(a) of the Regulatory Flexibility Act (5 U.S.C. 601 note);

(B) the amount by which financial markets in the United States have grown since the last time the Commission amended the definition of the term "small entity", if applicable; and

(C) how the Commission should define the term "small entity" to ensure that a meaningful number of entities would fall under that definition; and

(2) submit to Congress a report that includes—

(A) the results of the applicable study conducted under paragraph (1); and

(B) specific and detailed recommendations on the ways in which the Commission could amend the definition of the term "small entity" to—

(i) be consistent with the results described in subparagraph (A); and

(ii) expand the number of entities covered by such definition.

(c) RULEMAKING.—Concurrently with, or after the completion of, each study required under subsection (b), the Commission shall, subject to public notice and comment, revise the rules of the Commission consistent with the results of such study.

(d) INFLATION ADJUSTMENTS.—After the Commission issued the final rule revisions required under subsection (c), and every 5 years thereafter, the Commission shall adjust any dollar figures under the definition of small entity established by the Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

PURPOSE AND SUMMARY

H.R. 3382, the *Small Entity Update Act*, was introduced on May 14, 2025, by Representative Ann Wagner (MO–02). H.R. 3382 directs the Securities and Exchange Commission (SEC) to conduct a study, followed by a rulemaking consistent with the results of such study, including by defining the term "small entity" under the Regulatory Flexibility Act.

BACKGROUND AND NEED FOR LEGISLATION

Under current law, agencies subject to the *Regulatory Flexibility Act* need to determine if their rules have a significant economic impact on "small entities," including businesses, nonprofit organizations, and governmental jurisdictions. If so, agencies must consider alternatives that minimize that impact. Regulations often impose disproportionate burdens on startups, small businesses, and other small entities. This bill represents a thoughtful approach to addressing longstanding concerns that numerous SEC rules are not tailored to appropriately balance the SEC's mandates to protect investors and facilitate capital formation. Studying and revising these definitions—and considering whether such definitions should include more meaningful metrics—will result in a better understanding of regulatory costs on small entities and will ensure that the SEC modernizes its criteria for defining “small entities.” As such, H.R. 3382 will lead to more tailored regulations and appropriately reduced burdens on small entities under our securities laws.

COMMITTEE CONSIDERATION

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On April 20, 2023, Representative Ann Wagner (R–MO) introduced H.R.2792, the *Small Entity Update Act*. Representatives Jim Himes (D–CT), David Scott (D–GA), Ritchie Torres (D–NY), Mike Lawler (R–NY), and Sean Casten (D–IL) were added subsequently as cosponsors. This bill is an earlier iteration of H.R. 3382. The bill was referred solely to the Committee on Financial Services. The Subcommittee on Capital Markets of the Committee on Financial Services held a hearing to examine matters relating to H.R. 2792 on February 8, 2023. On April 26, 2023, the Committee on Financial Services ordered H.R. 2792 to be reported favorably to the House of Representatives by a recorded vote of 42–0. On May 30, 2023, the House suspended the rules and passed the bill by a recorded vote of 367–8. It was received in the Senate and referred to the Committee on Banking, Housing, and Urban Affairs. Senator Katie Britt (R–AL) introduced S. 4400, a companion bill to H.R. 2792.

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On May 14, 2025, Representative Wagner introduced H.R. 3382, the *Small Entity Update Act*, with Representatives Torres, Casten, Scott, and Pete Sessions (R–TX) as original cosponsors. Representatives Himes and Eugene Vindman (D–VA) were added subsequently as cosponsors. The bill was referred solely to the Committee on Financial Services. The bill was attached to the February 26, 2025 hearing titled “The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation,” and the March 25, 2025 hearing titled, “Beyond Silicon Valley: Expanding Access to Capital Across America.”

On May 20, 2025, the Committee met in open session to consider, among others, H.R. 3382. The Committee ordered H.R. 3382, as amended, to be reported favorably to the House of Representatives.

RELATED HEARINGS

Pursuant to clause 3(c)(6) of rule XIII of the Rules of the House of Representatives, the following hearings were used to develop H.R. 3382:

The Capital Markets Subcommittee of the Committee on Financial Services held a February 26, 2025, hearing titled “The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation” and the Full Committee held a March 25, 2025, hearing titled, “Beyond Silicon Valley: Expanding Access to Capital Across America.” A discussion draft version of the bill was attached to both hearings. The following witnesses testified at the February 26, 2025, hearing: Mr. Andrew Barnell, CEO and Co-Founder, Geneoscopy; Mr. McKeever

Conwell, Founder and Managing Partner, RareBreed Ventures; Ms. Rebecca Kacaba, CEO and Co-Founder, DealMaker; Ms. Anna Pinedo, Partner, Mayer Brown; and Ms. Alexandra Thornton, Senior Director, Financial Regulation, Center for American Progress. The following witnesses testified at the March 25, 2025, hearing: Mr. Steve Case, Chairman and CEO, Revolution LLC; Mr. Bill Newell, Senior Business Advisor & Former CEO, Sutro Biopharma; Ms. Candice Matthews Brackeen, General Partner, Lightship Capital; Mr. Joel Trotter, Partner, Latham & Watkins LLP; and Ms. Amanda Senn, Director of the Alabama Securities Commission.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include for each record vote on a motion to report the measure or matter and on any amendments offered to the measure or matter the total number of votes for and against and the names of the Members voting for and against.

On May 20, 2025, the Committee ordered H.R. 3382, as amended, to be reported favorably to the House by a recorded vote of 51 yeas and 0 nays, a quorum being present. (Record Vote No. FC–121).

Before the question to report was called, the Committee adopted an amendment in the nature of a substitute, designated WAGNER_013, which made minor edits and technical changes, offered by Representative Wagner. The amendment was adopted by voice vote, a quorum being present.

Committee on Financial Services

Markup 4
May 20, 2025

Bill: **H.R. 3382**
Measure: **H.R. 3382 (as amended)**
Amdt.

Record Vote No.
FC-121

Motion: **to report favorably**
Disposition: **AGREED TO (51-0)**

Member	Yea	Nay	Not Voting	Member	Yea	Nay	Not Voting
Chairman Hill	X			Ranking Member Waters	X		
Mr. Lucas	X			Ms. Velázquez	X		
Mr. Sessions	X			Mr. Sherman	X		
Mr. Huizenga	X			Mr. Meeks	X		
Mrs. Wagner	X			Mr. Scott	X		
Mr. Barr	X			Mr. Lynch	X		
Mr. Williams (TX)	X			Mr. Green (TX)	X		
Mr. Emmer	X			Mr. Cleaver			X
Mr. Loudermilk	X			Mr. Himes	X		
Mr. Davidson	X			Mr. Foster	X		
Mr. Rose	X			Mrs. Beatty	X		
Mr. Steil	X			Mr. Vargas	X		
Mr. Timmons	X			Mr. Gottheimer	X		
Mr. Stutzman	X			Mr. Gonzalez	X		
Mr. Norman	X			Mr. Casten	X		
Mr. Meuser	X			Ms. Pressley	X		
Mrs. Kim	X			Ms. Tlaib	X		
Mr. Donalds			X	Mr. Torres (NY)	X		
Mr. Garbarino	X			Ms. Garcia (TX)	X		
Mr. Fitzgerald	X			Ms. Williams of GA	X		
Mr. Flood	X			Ms. Pettersen	X		
Mr. Lawler	X			Mr. Fields	X		
Ms. De La Cruz	X			Ms. Bynum	X		
Mr. Ogles			X	Mr. Liccardo	X		
Mr. Nunn	X						
Mrs. McClain	X						
Ms. Salazar	X						
Mr. Downing	X						
Mr. Haridopolos	X						
Mr. Moore (NC)	X						
	28	**0**	**2**		**23**	**0**	**1**

	Yeas	Nays	Not Voting
Committee Totals:	**51**	**0**	**3**

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of the goal of H.R. 3382 is to ensure the SEC has a better understanding of regulatory costs on small entities and modernizes its criteria for defining "small entities."

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 3382. The Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office. However, pursuant to clause 3(d)(1) of rule XIII, the Committee will adopt as its own the cost estimate by the Director of the Congressional Budget Office once it has been prepared.

NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to the requirements of clause 3(c)(3) of rule XIII and section 402 of the *Congressional Budget Act of 1974*, a cost estimate was not made available to the Committee in time for the filing of this report. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

UNFUNDED MANDATES STATEMENT

The Committee has requested but not received from the Director of the Congressional Budget Office an estimate of the Federal mandates pursuant to section 423 of the *Unfunded Mandates Reform Act*. The Committee will adopt the estimate once it has been prepared by the Director.

EARMARK STATEMENT

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the resolution and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

FEDERAL ADVISORY COMMITTEE ACT STATEMENT

No advisory committees within the meaning of section 5(b) of the *Federal Advisory Committee Act* were created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the *Congressional Accountability Act.*

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section cites H.R. 3382 as the *Small Entity Update Act*.

Section 2. Studies, reports, and rules regarding small entities

This section directs the SEC to conduct a study of the definition of the term "small entity." This section also directs the SEC to propose and finalize rules consistent with the results of its study to define the term "small entity" under the *Regulatory Flexibility Act*. Lastly, this section directs the SEC to adjust the definition of small entity for inflation after enactment of this Act and every five years thereafter.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 3382 does not repeal or amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report required under clause 3(e) of rule XIII of the Rules of the House of Representatives.