119TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
119–126

ACCESS TO SMALL BUSINESS INVESTOR CAPITAL 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

R E P O R T

[To accompany H.R. 2225]

The Committee on Financial Services, to whom was referred the bill (H.R. 2225) to permit a registered investment company to omit certain fees from the calculation of Acquired Fund Fees and Expenses, 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 "Access to Small Business Investor Capital Act".

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SEC. 2. AMENDMENTS TO ACQUIRED FUND FEES AND EXPENSES REPORTING ON INVESTMENT COMPANY REGISTRATION STATEMENTS.

(a) DEFINITIONS.—For purposes of this section:

(1) ACQUIRED FUND.—The term "Acquired Fund" has the meaning given the term in Forms N–1A, N–2, and N–3.

(2) ACQUIRED FUND FEES AND EXPENSES.—The term "Acquired Fund Fees and Expenses" means the Acquired Fund Fees and Expenses sub-caption in the Fee Table Disclosure.

(3) BUSINESS DEVELOPMENT COMPANY.—The term "business development company" has the meaning given the term in section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)).

(4) FEE TABLE DISCLOSURE.—The term "Fee Table Disclosure" means the fee table described in Item 3 of Form N–1A, Item 3 of Form N–2, or Item 4 of Form N–3 (as applicable, and with respect to each, in any successor fee table disclosure that the Securities and Exchange Commission adopts).

(5) FORM N–1A.—The term "Form N–1A" means the form described in section 274.11A of title 17, Code of Federal Regulations, or any successor regulation.

(6) FORM N–2.—The term "Form N–2" means the form described in section 274.11a–1 of title 17, Code of Federal Regulations, or any successor regulation.

(7) FORM N–3.—The term "Form N–3" means the form described in section 274.11b of title 17, Code of Federal Regulations, or any successor regulation.

(8) REGISTERED INVESTMENT COMPANY.—The term "registered investment company" means an investment company, as defined under section 3(a) of the Investment Company Act of 1940, registered with the Securities and Exchange Commission under such Act.

(b) EXCLUDING BUSINESS DEVELOPMENT COMPANIES FROM ACQUIRED FUND FEES AND EXPENSES.—A registered investment company may, on any investment company registration statement filed pursuant to section 8(b) of the Investment Company Act of 1940 (15 U.S.C. 80a–8(b)), omit from the calculation of Acquired Fund Fees and Expenses those fees and expenses that the investment company incurred indirectly as a result of investment in shares of one or more Acquired Funds that is a business development company.

PURPOSE AND SUMMARY

H.R. 2225, the *Access to Small Business Investor Capital Act*, was introduced on March 18, 2025, by Representative Brad Sherman (CA–32). H.R. 2225 allows a registered investment company to exclude from the calculation of "acquired fund fees and expenses (AFFE)" those incurred indirectly from investment in a business development company (BDC).

BACKGROUND AND NEED FOR LEGISLATION

Since their creation, BDCs have stepped up to provide capital for smaller businesses. Yet, an SEC rule drafted in 2006 has prevented BDCs from securing additional capital to invest in American businesses.[1] The SEC rule requires funds that invest in BDCs to disclose management fees and other expenses of a BDC as well as AFFE. This requirement led to a miscalculation because BDCs typically have higher operating expenses than passive investment funds because they devote substantial resources to sourcing, evaluating, and managing investments in American small businesses. However, these expenses are already reflected in a BDC's management fees, expenses, and market price. When the SEC required funds investing in BDCs to disclose BDC expenses again, it resulted in double counting, overstating the BDC's expenses and giving investors a misleading view of the actual costs they bear. This miscalculation led funds to stop investing in BDCs thereby reducing the capital available for BDCs to invest in small businesses.

[1] 7 C.F.R. § 270.

H.R. 2225 would allow funds to omit a BDC's AFFE while still continuing to disclose the BDCs management fees and other expenses. By correcting this unintended consequence while maintaining existing disclosures, investors will have an accurate picture of a BDC's expenses and allow BDCs to compete for capital to then invest in small businesses.

COMMITTEE CONSIDERATION

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On June 25, 2020, Representative Brad Sherman (D–CA) introduced H.R. 7375, the *Access to Small Business Investor Capital Act,* with Representative Steve Stivers (R–OH) as original cosponsor. Representatives Madeleine Dean (D–PA), David Scott (D–GA), and Blaine Luetkemeyer (R–MO) were added subsequently as cosponsors. The bill is the original iteration of H.R. 2225. The bill was referred solely to the Committee on Financial Services.

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On October 15, 2021, Representative Sherman introduced H.R. 5598, the *Access to Small Business Investor Capital Act*, with Representative Bill Huizenga (R–MI) as original cosponsor. Representatives Luetkemeyer, Dean, Nydia Velazquez (D–NY), Scott, Ed Perlmutter (D–CO), Young Kim (R–CA), Bryan Steil (R–WI), Carolyn B. Maloney (D–NY), Grace Meng (D–NY), Norma Torres (D–CA), Andy Barr (R–KY), Jake Auchincloss (D–MA), Josh Gottheimer (D–NJ), Ann Wagner (R–MO), Dwight Evans (D–PA), Jim Himes (D–CT), Sean Casten (D–IL), Alma Adams (D–NC), Bill Foster (D–IL), and Brendan Boyle (D–PA) were added subsequently as cosponsors. The bill is an earlier iteration of H.R. 2225. The bill was referred solely to the Committee on Financial Services. Senator Steve Daines (R–MT), together with Senator Bob Menendez (D–NJ), introduced S. 3961, a companion to H.R. 5598.

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On March 7, 2023, Representative Sherman introduced H.R. 1379, the *Access to Small Business Investor Capital Act*, with Representative Bill Huizenga as original cosponsor. Representatives Wiley Nickel (D–NC), Boyle, Meng, Steil, Auchincloss, Scott, Himes, Brittany Pettersen (D–CO), Casten, Velazquez, Vicente Gonzalez (D–TX), Kim, Zach Nunn (R–IA), Luetkemeyer, Wagner, Mike Flood (R–NE), Byron Donalds (R–FL), Barr, Dan Meuser (R–PA), Ruben Gallego (D–AZ), Marc Molinaro (R–NY), Foster, Gottheimer, and Brian Fitzpatrick (R–PA) were added subsequently as cosponsors. The bill is an earlier iteration of H.R. 2225. The bill was referred solely to the Committee on Financial Services. Senator Steve Daines (R–MT) introduced S. 4890, a companion to H.R. 1379.

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On March 18, 2025, Representative Sherman introduced H.R. 2225, the *Access to Small Business Investor Capital Act,* with Representatives Bill Huizenga, Andrew Garbarino (R–NY), and Janelle Bynum (D–OR) as original cosponsors. Representatives Scott, Meuser, Cleo Fields (D–LA), Fitzpatrick, Marilyn Strickland (D–

WA), Steil, Boyle, Barr, Wagner, Pettersen, Foster, Nunn, Velazquez, Casten, Himes, Emanuel Cleaver (D–MO), Gregory Meeks (D–NY), Gottheimer, Ritchie Torres (D–NY), Gonzalez, and Kim were added subsequently as cosponsors. The bill was referred solely to the Committee on Financial Services. This bill was attached to 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. 2225. The Committee favorably reported H.R. 2225, as amended 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. 2225:

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 this hearing. 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. 2225, as amended, to be reported favorably to the House by a voice vote.

Before the question to report was called, the Committee adopted an amendment in the nature of a substitute, designated SHERMA__043, which made minor edits and technical changes, offered by Representative Sherman. The amendment was adopted by voice vote. A quorum was present at all times during consideration of H.R. 2225.

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 H.R. 2225 is to ensure investors have an accurate picture of a BDC's expenses and to allow BDCs to compete for capital to then invest in small businesses.

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. 2225. 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 House 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 requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives 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

Section 1 provides the short title is the "*Access to Small Business Investor Capital Act*."

Section 2. Amendments to acquired fund fees and expenses reporting on investment company registration statements

Section 2 defines "acquired fund," "acquired fund fees and expenses," "business development company," "fee table disclosure," "form N–1A," "form N–2," "form N–3," and "registered investment company."

This section also provides that a registered investment company may omit from the calculation of Acquired Fund Fees and Expenses those fees and expenses that the investment company incurred indirectly as a result of investment in shares of one or more Acquired Funds that is a business development company.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 2225 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 House of Representatives.

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