

Fact Sheet: Service-Disabled Veteran-Owned Small Business (SDVOSB)

SBA Allows Self-Certification, VA Requires Verification

- Set-asides to SDVOSBs (only SDVOSBs compete) as well as sole-source contracts to SDVOSBs (no competition) are allowed.
- Self-certification of eligibility is the requirement by SBA.
- But for VA procurements, the SDVOSB must be approved by the VA. The VA calls this process “verification” rather than certification.

Obtaining SDVOSB Verification

- Apply through the VA’s Center for Verification and Evaluation (CVE) at: www.va.gov/osdbu/veteran/verification.asp
- Get it right the first time. Applicants denied certification have to wait 6 months to re-apply. (In practice, the VA allows companies to withdraw their applications without a decision and resubmit at any time.)
- Verification is indefinite – no 9-year limit like 8(a) – as long as you continue to meet standards.
- Renewed every 3 years.

SDVOSB Joint Ventures

- If a small business forms a joint venture with another company to compete for a VA SDVOSB set-aside or sole-source contract, the joint venture itself must be verified and be included in the CVE database.

Qualifying as a Service-Disabled Veteran

- Disability must have been incurred or aggravated in active service.
- Must have been honorably discharged.
- Appropriate documentation is required, such as DOD Form 214 – Certificate of Release or Discharge from Active Duty. (No minimum disability rating is required.)
- CVE uses the Beneficiary Identification Records Locator Subsystem (BIRLS), a database maintained by VA’s Veterans Benefits Administration, to identify Veteran status and service-connected disability status.

SDVOSB Eligibility Requirements

- The firm must be a small business in its primary NAICS code. The firm also must be a small business for the NAICS code assigned to a particular solicitation, if that's a smaller size standard.
- Must be at least 51% unconditionally owned by one or more service-disabled veterans and unconditionally controlled by one or more service-disabled veterans.
- There are no personal net worth or income restrictions, unlike the 8(a) program.
- Indirect ownership (through a parent company) will not work.
- “Affiliations” rules apply.

A Few Words about the Word “Unconditionally”

“Unconditional ownership means that the service-disabled veterans must immediately have an absolute right to do anything they want with their ownership interest or stock, whenever they want.”

SDVOSB Control

- Long-term decision-making and the day-to-day management of the business operations must be conducted by service-disabled veterans.
 - A service-disabled veteran must hold the highest position in the company.
 - The service-disabled veteran must have sufficient managerial experience to run the company.
 - The company cannot rely on another business for its revenues to the extent that it would impede unconditional control.
 - A question may be raised if the veteran lives far away from the company's operations.

Specific Requirements

- Must have good character.
- Cannot have delinquent federal debts.
- Non-service-disabled veteran individuals or entities may not control the firm. Rebuttable presumptions are described in 13 CFR 125.13(i) which address circumstances such as when the service-disabled veteran does not work full-time for the firm, compensation issues, and other matters.
- Must receive no less than 51% of annual distribution of profits.

SDVOSB Joint Ventures

- Remember, a joint venture is a separate legal entity. If a joint venture is to qualify for a VA SDVOSB set-aside, it must be separately verified in the VA's database.
- The SDVOSB's size must be added to the joint venture partner's size to determine if the joint venture qualifies as small for a SDVOSB set-aside.
- Both parties in a joint venture must be small for the solicitation's NAICS code, unless there is an approved mentor-protégé agreement, in which case a large business can be part of an SDVOSB JV.
- The parties in a joint venture bidding on a SDVOSB set-aside must have a written JV agreement that contains certain mandatory terms. These terms are similar to ones required for an 8(a) JV, but not identical.

SDVOSB Subcontracting

- The same subcontracting limitations apply to SDVOSBs as other small businesses.
- One Exception: If the SDVOSB subcontracts work to other SDVOSBs, then the combined work of the SDVOSB prime contractor and the SDVOSB subcontractors can be counted toward the minimum work requirements (*i.e.*, 50% supplies and products; 15% construction; 25% specialty construction).

SDVOSB Mentor-Protégé

- The SBA now accepts applications for what it calls an "all small" mentor-protégé program. More information available at:
<https://www.sba.gov/contracting/government-contracting-programs/all-small-mentor-protége-program/about-all-small-mentor-protége-program>.

(Download this fact sheet at: <https://contractingacademy.gatech.edu/teaching-your-clients-how-to-obtain-a-small-business-certification>)