

JOBS Act Inflation Adjustments



The Securities and Exchange Commission adopted final rules implementing inflation adjustments required by the Jumpstart Our Business Startups (JOBS) Act.

The amendments increase the annual gross revenue threshold in the definition of “emerging growth company” and increase certain financial thresholds in Regulation Crowdfunding.

Background

Title I of the JOBS Act added Securities Act Section 2(a)(19) and Exchange Act Section 3(a)(80) to define the term “emerging growth company” (EGC). Pursuant to the statutory definition, the Commission is required every five years to index to inflation the annual gross revenue amount used to determine EGC status to reflect the change in inflation. The amendments increase that amount from \$1,070,000,000 to \$1,235,000,000.

Title III of the JOBS Act added Securities Act Section 4(a)(6), which provides an exemption from the registration requirements of Securities Act Section 5 for certain crowdfunding transactions. Sections 4(a)(6) and 4A of the Securities Act set forth dollar amounts used in connection with the crowdfunding exemption, and, similar to the EGC definition, Section 4A(h)(1) states that such dollar amounts shall be adjusted by the Commission not less frequently than once every five years to reflect the change in inflation. The amendments increase certain of these thresholds as follows:

Inflation-Adjusted Amounts in Rule 100 of Regulation Crowdfunding (Offering Maximum and Investment Limits)

Regulation Crowdfunding Rule	Prior Amount	Inflation-Adjusted Amount
Threshold for assessing investor’s annual income or net worth to determine investment limits (Rules 100(a)(2)(i) and 100(a)(2)(ii))	\$107,000	\$124,000
Lower threshold of Regulation Crowdfunding securities permitted to be sold to an investor if annual income or net worth is less than \$124,000 (Rule 100(a)(2)(i))	\$2,200	\$2,500
Maximum amount that can be sold to an investor under Regulation Crowdfunding in a 12-month period (Rule 100(a)(2)(ii))	\$107,000	\$124,000

Inflation-Adjusted Amounts in Rule 201(t) of Regulation Crowdfunding (Financial Statement Requirements)

Regulation Crowdfunding Rule	Prior Amount	Inflation-Adjusted Amount
201(t)(1)	\$107,000	\$124,000
201(t)(2)	\$535,000	\$618,000
201(t)(3)	\$1,070,000	\$1,235,000

Effective March 2021, the Commission increased Regulation Crowdfunding’s offering limit from \$1,070,000 to \$5,000,000, an increase of \$3,930,000. As this increase was far in excess of the inflation-based increase that would otherwise have occurred this year, the Commission did not increase Regulation Crowdfunding’s offering limit, which remains at \$5,000,000.

What’s Next

The rules will become effective upon publication of the release in the Federal Register.

Additional Information:

Visit [sec.gov](https://www.sec.gov) to find for more information about the adopted amendments and the full text of the final rules.