



Proving Veteran Possesses 51 Percent Direct Ownership

Issue:

This brief explains the verification requirement that Veterans must own at least 51 percent of the applicant directly.

(For purposes of this brief, the regulations when referring to Service-Disabled Veteran applies equally to Veterans; applicant refers to the business entity applying for verification; and participant refers to a business entity that has already been verified.)

The Regulations:

13 CFR 125.12(a) provides that “[o]wnership by one or more service-disabled veterans must be direct ownership. A concern owned principally by another business entity that is in turn owned and controlled by one or more service-disabled veterans does not meet this requirement. Ownership by a trust, such as a living trust, may be treated as the functional equivalent of ownership by service-disabled veterans where the trust is revocable, and service-disabled veterans are the grantors, trustees, and the current beneficiaries of the trust.”

What This Means:

Subpart B as referred to in 13 CFR § 125.11 is saying that anywhere in the regulations where the term Service-Disabled Veteran is used, it is equally applicable to Veterans for purposes of determining eligibility.

The concern must be at least 51 percent directly-owned by one or more Veterans. If the concern is owned primarily by another business or entity that in turn holds ownership interest in the applicant, this does not meet the requirement of direct ownership. This requirement applies even if the Veteran owns

100 percent of the entity that in turn owns 51 percent or greater interest in the applicant.

Example

The business applying for verification (Company A) is owned 100 percent by Company B. The Veteran owns 100 percent of Company B. This arrangement would be a violation of the direct ownership requirement of the regulation, as the Veteran does not directly own at least 51 percent of Company A.

Ownership by a trust is an exception to this general rule. However, the trust must meet certain conditions. The trust must be revocable and the Veteran(s) must be the grantor(s), trustee(s), and the current beneficiary(ies) of the trust. Thus, in the case of an irrevocable trust, it will not be considered directly owned for verification purposes.

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