



U.S. CONGRESSMAN
FRENCH HILL
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H.R. 2777 - S-Corporation Additional Participation (S-CAP) Act

The S-Corporation Additional Participation Act of 2025 – known as the S-CAP Act – is bicameral legislation that would increase the maximum threshold for the number of shareholders an S Corporation can offer from 100 to 250.

Background:

S Corporations (S Corps) are the most popular corporate structure in the United States, with more than 5 million S Corps throughout the country employing over 38 million Americans. Congress created the S Corp structure in 1958 through subchapter S of the tax code to shield family-owned businesses from the double taxation treatment imposed on C Corporations (C Corps), originally limiting the number of shareholders in an S Corp to 10.

At the time, the 10-shareholder cap made sense for small, family-owned businesses. However, in the years since, Congress has recognized the power of S Corps to create jobs, increase wealth, and grow the economy. They also realized that the cap on the number of permitted shareholders hindered the potential of S Corps to attract capital. As such, Congress has voted to increase the cap multiple times, most recently raising the cap to 100 through the American Jobs Creation Act of 2004. This expansion allowed for greater investment opportunities, but S Corps are still limited in their ability to attract capital, which restricts their ability to foster economic growth and their contribution to broader economic development.

Impact:

The **S-CAP Act would simply raise the shareholder cap to 250**, unlocking opportunities for additional capital investments for small businesses, expanding U.S. citizens' access to invest in S Corps, and allowing more Americans to own equity in the companies they help build.

The bill would not change the types of eligible S Corp shareholders, nor would it allow S Corps to issue more than 1 class of stock. Funds, institutional money, and foreign investment would still be prohibited from being shareholders.

Senator John Boozman (R-AR) leads companion legislation in the Senate

Other Support:

- S Corporation Association
- Subchapter S Bank Association
- American Council of Engineering Companies

Staff Contact: Ryan Dalbec - Ryan.Dalbec@mail.house.gov