July 21, 2026

The Honorable Roger Williams
Chairman
Committee on Small Business
United States House of Representatives
Washington, District of Columbia 20515

The Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
United States House of Representatives
Washington, District of Columbia 20515

RE: Committee hearing, "AI on Main Street: How AI is Shaping the Future of Small Business"

Dear Chairman Williams and Ranking Member Velázquez,

Thank you for the opportunity to submit this statement for the record. The Association for Competitive Technology (ACT) represents small and medium-sized technology companies that develop software and connected devices powering the modern digital economy. ACT represents a domestic ecosystem valued at approximately $1.8 trillion, supporting 6.1 million American jobs.[1] ACT members are innovators that create the software bringing your smart devices to life. They also make connected devices that are revolutionizing healthcare, agriculture, public safety, financial services, and virtually all other industries.

Because our members are leading consumers, developers, and adopters of artificial intelligence (AI) tools, they are directly affected by how policymakers view AI markets. ACT appreciates the Committee's attention to how AI is shaping the future for small businesses. This statement focuses on the real-world impact of AI on small technology firms and the policy environment necessary to ensure that small innovators can continue to compete, access capital, and thrive in this rapidly evolving market.

While AI presents unprecedented opportunities for small businesses to scale and innovate, realizing this potential requires a policy environment that avoids preemptive regulation, ensures access to capital and talent, maintains a dynamic market for mergers and acquisitions, and invests in the infrastructure that small

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[1] The Association for Competitive Technology (ACT), *The State of the App Economy*, https://actonline.org/wp-content/uploads/APP-Economy-Report-FINAL-1.pdf.

innovators depend on. Small businesses are already building, deploying, and scaling solutions that improve productivity and create jobs. However, fragmented regulatory frameworks and aggressive competition policies grounded in speculation rather than evidence threaten to stall this progress.

The Real-World Impact of AI on Small Business

The narrative that AI is a tool exclusively for large technology companies is inaccurate. Small businesses are actively building "AI stacks" to automate administrative tasks, enhance marketing, optimize pricing, and improve customer service. Recent survey data demonstrate that 58 percent of small businesses now use generative AI, which is up from 40 percent in 2024.[2] Among U.S. technology micro, small, and medium-sized enterprises (MSMEs) specifically, 62 percent actively use AI, and 45 percent have fully integrated it into their workflows.[3]

This rapid adoption is delivering tangible benefits. An overwhelming 91 percent of U.S. small tech businesses report cost savings from AI, with a median reduction of 10.7 percent.[4] Furthermore, AI is proving to be an engine for job creation rather than displacement, with 82 percent of small businesses using AI reporting that they increased their workforces over the past year.[5]

This success story stands in stark contrast to the experience of small businesses in Europe. In the European Union and the United Kingdom, where a premature "regulate first, innovate later" approach prevails, only half of startups actively use AI.[6] European regulations are delaying access to frontier models, resulting in estimated annual losses of $109,000 to $375,000 per firm due to delayed product launches and foregone efficiency gains. The divergence illustrates a growing transatlantic gap driven not by technical capacity but by regulatory design choices.

Navigating the Regulatory Landscape: The Threat of Fragmentation

For small businesses that depend on stable and predictable environments to reach customers and innovate, the domestic regulatory landscape is becoming increasingly perilous. In 2025 alone, state legislators introduced over 1,100 AI-

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[2] U.S. Chamber of Commerce, *Empowering Small Business: The Impact of Technology on U.S. Small Business* (Aug. 18, 2025), https://www.uschamber.com/technology/artificial-intelligence/u-s-chambers-latest-empowering-small-business-report-shows-majority-of-businesses-in-all-50-states-are-embracing-ai.
[3] The Association for Competitive Technology (ACT), *The Hidden Cost of AI Regulations for EU and UK Startups and SMEs* (Oct. 2025), https://actonline.org/the-hidden-cost-of-ai-regulations-a-survey-of-eu-uk-and-u-s-companies/.
[4] *Id*.
[5] U.S. Chamber of Commerce, *supra* note 2.
[6] The Association for Competitive Technology (ACT), *supra* note 3.

related bills.[7] This growing patchwork of state and local regulations threatens to turn the job-creating and efficiency-enhancing promise of AI into a costly headache that many small companies simply cannot afford.[8]

Sixty-five percent of small businesses nationwide are concerned about rising litigation and compliance costs from conflicting state and local AI laws.[9] When faced with regulations like those enacted in Colorado and California, one-third of small businesses stated they would scale down AI use, and another fifth indicated they would be less likely to use AI at all.[10]

ACT supports the push for a unified, national policy framework for AI that preempts burdensome state laws. A single federal standard is essential to protect small businesses from crushing compliance costs while maintaining American innovation leadership. Federal agencies should apply existing regulatory frameworks[11] before advancing new ones, prioritizing a risk-based approach aligned with the National Institute of Standards and Technology (NIST) AI Risk Management Framework.[12] Policymakers must clarify roles and responsibilities across the AI value chain rather than imposing one-size-fits-all mandates that disproportionately burden small developers.[13]

Building the Infrastructure Small Businesses Need

To accelerate the pace of scientific innovation, the United States must foster an environment where private-sector ingenuity and public-sector investment reinforce one another. Congress should provide long-term appropriations for the National Science Foundation's National Artificial Intelligence Research Resource (NAIRR), which provides researchers with access to datasets, models, cloud computing, and

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[7] U.S. Chamber of Commerce, *The Hidden Cost of 50 State AI Laws: A Data-Driven Breakdown* (Nov. 18, 2025), https://www.uschamber.com/technology/the-hidden-cost-of-50-state-ai-laws-a-data-driven-breakdown.

[8] Stevens, Morgan. *State of Confusion: How a Patchwork of AI Laws Hurts Small Businesses and U.S. Competitiveness*. Association for Competitive Technology (ACT), Oct. 2025, https://actonline.org/2025/10/10/state-of-confusion-how-a-patchwork-of-ai-laws-hurts-small-businesses-and-u-s-competitiveness/.

[9] U.S. Chamber of Commerce, *supra* note 2.

[10] U.S. Chamber of Commerce, *supra* note 7.

[11] Association for Competitive Technology (ACT). *Mapping Existing Laws to AI*, https://actonline.org/wpcontent/uploads/ACT_Mapping_Existing_Laws_to_AI_Outline.pdf.

[12] National Institute of Standards and Technology. *AI Risk Management Framework*. U.S. Department of Commerce, https://www.nist.gov/itl/ai-risk-management-framework.

[13] Association for Competitive Technology (ACT). *AI Roles & Interdependencies Framework* (May 2024), https://actonline.org/wpcontent/uploads/ACT-AI-Roles-Interdependencies-Framework-final-text-May-2024-UK-English.pdf.

AI credits.[14] The NAIRR Task Force estimated that sustaining this vital program would require $2.25 billion in federal appropriations over six years.

At the same time, it is important to consider the role that existing market actors play in providing compute capacity and essential tools to American small businesses. Large companies currently offer small businesses and startups free or low-cost access to sophisticated AI development platforms. This market-led investment is procompetitive, as it makes resources accessible to smaller firms by reducing the need for large upfront investments. Competition policy must not inadvertently penalize the very investments that enable a competitive AI ecosystem.

Congress must also take proactive measures to strengthen physical AI infrastructure. This includes providing federal agencies with greater authority to site and permit interstate transmission lines, preventing states from imposing regulations that disproportionately burden data centers, and accelerating the development of domestic nuclear power.[15] Additionally, Congress should advance legislation like the Promoting United States Leadership in Standards Act (S. 1269, 119th Congress)[16] to make international standards development meetings more accessible to American small businesses, which generally lack the time and other resources needed to send personnel overseas.

Preserving the Innovation Cycle: M&A and Capital Access

The path from lab to market is often catalyzed by acquisition, integration, or partnership, especially for small developers. Acquisitions account for more than 90 percent of startup exits and are the primary mechanism through which venture capital is recycled into the next generation of innovation.[17] For many small technology founders, an acquisition is the reward for years of risk-taking and effectively serves as their retirement plan.[18]

The AI market is uniquely vulnerable to enforcement-related delays because competitive advantage depends heavily on access to data, talent, compute, and distribution. In this environment, "time-to-capability" is the most critical strategic

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[14] The Association for Competitive Technology (ACT), *Response to the American Science Acceleration Project (ASAP) Request for Information* (July 18, 2025), https://actonline.org/wp-content/uploads/Comments-of-the-App-Association-July-18-2025.pdf.
[15] *Id*.
[16] Promoting United States Leadership in Standards Act of 2025, S. 1269, 119th Cong. (2025).
[17] The Association for Competitive Technology (ACT), *M&A Review in the AI Era: Why Fast, Predictable Merger Timelines Matter for Small Businesses*(June 2026), https://actonline.org/merger-acquisition-review-in-the-ai-era/.
[18] Parag Shah, *Testimony before the House Small Business Subcommittee on Innovation, Entrepreneurship, and Workforce Development* (Mar. 12, 2024).

variable. Lengthy and uncertain merger reviews are therefore uniquely damaging. Significant U.S. merger investigations averaged 12.3 months in 2025, up from 8.1 months during the 2011-2016 period.[19] This deterrence-oriented posture chills investment and reduces valuations for all small firms, even those well below reporting thresholds.

Many AI-related acquisitions are procompetitive combinations of complementary inputs, such as infrastructure, databases, orchestration tools, and enterprise deployment capabilities. These vertical or adjacent-market deals help AI products reach customers faster and operate at scale.[20] Agencies should act only when evidence shows harm to nascent competition and should not treat AI acquisitions as suspect by default. As other nations actively reform their merger control laws to attract investment and reduce friction in dealmaking, the United States risks falling behind if it maintains an aggressive posture grounded more in market speculation than empirical evidence.[21]

Path Forward

To ensure that small businesses can continue to lead in AI innovation, ACT urges the Committee to support the following legislative and policy actions:

- **Support the Small AI Innovators Empowerment Act (H.R. 7968):** We strongly support this bipartisan legislation, which directs the Department of Commerce, in collaboration with NIST and the Small Business Administration, to study the unique challenges small AI businesses face in accessing capital, navigating regulations, and recruiting talent.[22]
- **Advance the NSF AI Education Act:** We call for swift passage of this legislation to expand AI education opportunities, including in rural and underserved communities, through scholarships, fellowships, and centers of excellence. This will help build the skilled workforce that small technology businesses need to thrive.[23]
- **Establish a Unified National AI Framework:** Congress should enact a single, minimally burdensome federal standard that preempts the patchwork of state AI laws imposing crushing compliance costs on small businesses.

[19] The Association for Competitive Technology (ACT), *supra* note 17.
[20] The Association for Competitive Technology (ACT), *Antitrust at a Crossroads: Protecting Innovation in the Age of AI* (June 12, 2025), https://actonline.org/wp-content/uploads/Antitrust-at-a-Crossroads-Protecting-Innovation-in-the-Age-of-AI-June-12-2025.pdf.
[21] The Association for Competitive Technology (ACT), *supra* note 17.
[22] The Association for Competitive Technology (ACT), *ACT Supports the Small AI Innovators Empowerment Act* (Mar. 17, 2026), https://actonline.org/2026/03/17/act-supports-the-small-ai-innovators-empowerment-act/.
[23] National Science Foundation Artificial Intelligence Education Act of 2025, H.R. 5351, 119th Cong. (2025).

- **Promote Pro-Growth M&A Policies:** Congress should encourage antitrust agencies to adopt faster, more predictable merger-review timelines and focus on actual harm to competition rather than generalized skepticism toward acquisitions.

Conclusion

ACT appreciates the Committee's leadership in examining how AI is shaping the future of small business. The policy choices Congress makes today will determine whether the United States maintains its global AI leadership or cedes ground to competitors who are moving faster to attract investment and reduce friction for innovators.

The United States already possesses robust antitrust and consumer protection laws. These wheels need not be reinvented, since they apply to conduct and markets involving AI services just as they apply in other contexts. Preserving an innovation-centered, risk-based, and evidence-driven framework will better serve consumers, competition, and the small businesses that drive American technological leadership. We look forward to supporting the Committee's continued oversight and stand ready to provide additional data and member perspectives as Congress evaluates how best to safeguard competition and innovation in the digital economy.

Thank you for your consideration.

Respectfully submitted,

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