

Congress Poised to Pass Kids' Privacy Bill by 2027, Posing \$4B Annual Risk for Meta; Likely Lack of Age Verification Mandate Will Reduce Impact

March 31, 2025

The Bottom Line:

Capstone believes Congress will likely pass online safety legislation for children this session, posing annual headwinds of \$2.5 billion for Meta Platforms Inc. However, an age verification mandate, which we estimate could increase the potential exposure to \$4 billion, remains unlikely given successful constitutional challenges. We also believe states will likely face legal challenges in their efforts to enact age verification legislation.

- Federal and state lawmakers have prioritized measures addressing children's privacy due to concerns about online harms posed by social media platforms, such as Meta Platforms Inc. (META) and Snap Inc. (SNAP). Congress is considering bills such as the Kids Off Social Media Act (KOSMA), while multiple state legislatures have passed age verification bills, most of which have failed to withstand constitutional scrutiny.
- Capstone assigns a 60% probability that Congress will pass a comprehensive kids' online safety bill that further restricts children younger than 13 from using social media platforms this session. However, we do not expect the final measure to include an age verification mandate, given federal court decisions in First Amendment challenges.
- Although Meta's terms of service (ToS) require users to be at least 13 years old to register, studies estimate that 2.8 million and 4 million children still access Facebook and Instagram, respectively. If those users are forced off the platform, we estimate that Meta would lose \$960 million in annual revenue from the younger than 13 population and \$1.5 billion from additional restrictions on teen use for a total of \$2.5 billion. An age verification mandate, which we believe is unlikely to be included, would raise our estimate to \$4 billion.

Capstone's Call at a Glance

Our Prediction	Capstone assigns a 60% probability that Congress will pass some form of kids' online privacy legislation, such as the Kids Off Social Media Act (KOSMA), by January 2027.
Companies Impacted	Meta Platforms Inc. (META), Snap Inc. (SNAP), Alphabet Inc. (GOOG), Microsoft Corp. (MSFT), Apple Inc. (AAPL), Reddit Inc. (RDDT)
Potential Impact	Capstone believes Meta faces a loss of \$2.5B to \$4B in revenue annually (or as much as 3% of Meta's 2023 revenue) if new online safety legislation for children is implemented.
Read More	Age Verification Laws Pose Longshot Threat Up to 18% of Meta, Snap, Social Media Revenue Should Mississippi Law Withstand Court Challenge, June 20, 2024

*Capstone's predictions are informed by rigorously examining historical occurrences and current conditions while rooting out cognitive biases systematically. We update our probabilities often to reflect the latest information. Read more [here](#).

A DEEPER LOOK

Background

Capstone believes there is growing interest in Congress to pass online safety legislation that would require social media companies such as Meta to completely restrict children younger than 13 from using their platforms following a monumental year of legislative activity on this topic (see Exhibit 1). Efforts to pass stronger kids' privacy laws at both the federal and state levels have been persistent but largely unsuccessful since the Children's Online Privacy Protection Act (COPPA) passed in 1998. Despite state-level setbacks, federal children's privacy legislation has continued to gain momentum.

Lawmakers have expressed concerns about COPPA's lax policies toward children between 13 and 17 and its reliance on companies to self-regulate. The bills under discussion in Congress would expand COPPA's protections by mandating stricter age requirements for companies and/or limiting targeted advertising to teen users.

Federal Legislation

We anticipate that Congress will incorporate aspects of pending federal bills into a larger legislative package that keeps the core provisions while walking back some of the more restrictive elements, namely removing age verification mandates, to address free speech concerns. Soon after the start of the 119th session, the Kids Off Social Media Act, which Senate Commerce Committee Chair Ted Cruz (R-TX) sponsored, was introduced. KOSMA (S. 4213) prohibits social media platforms from knowingly allowing children younger than 13 to create accounts, restricts algorithmic recommendations for children younger than 17, and requires schools to restrict social media access on their networks. The committee quickly approved KOSMA, with only Senator Ed Markey (D-MA) voting in opposition.

KOSMA follows last session's Kids Online Safety Privacy Act (KOSPA), a bill that combined elements of the Kids Online Safety Act (KOSA or S. 1409) and the new Children and Teens' Online Privacy Protection Act (COPPA 2.0, or S. 1418), further refining their provisions and creating a more comprehensive framework. In summer 2024, the House Committee on Energy and Commerce and the full Senate on a 91-3 vote advanced separate versions of KOSPA (S. 2073), but it stalled in the House.

In December 2024, House Speaker Mike Johnson (R-LA) said he was "working on a solution that protects kids online while continuing to protect the free speech rights of all Americans" and expected legislation to advance in early 2025 after "a little more tweaking." COPPA 2.0 has since been reintroduced, but we expect KOSMA to be the bill to watch this session.

Exhibit 1: Key Differences Between Pending Children's Privacy Bills

■ Reintroduced this Congress
 ■ Not yet reintroduced/died in last Congress

	Age Verification	No Child Users (<13)	No Targeted Advertising (>17)	Duty Of Care	Parental Controls	School Requirements
Kids Off Social Media Act (KOSMA) (S. 4213)	✗	✓	✓	✗	✗	✓
Children and Teens' Online Privacy Protection Act (COPPA 2.0) (S. 1418)	✗	✓	✓	✗	✓	✗
Kids Online Safety Act (KOSA) (S. 1409)	✗	✗	✗	✓	✓	✗
Kids Online Safety and Privacy Act (KOSPA) (S. S. 2073)	✗	✗	✓	✓	✓	✗

Source: US Congress

Investment Implications

Capstone believes KOSMA would expose Meta to a \$2.5 million revenue loss. An age verification mandate, which we believe is unlikely, would increase our estimate to \$4 million. We reached these estimates looking at three user bases:

- Youth users: \$960 million risk;
- Teen users: \$1.5 million risk; and
- Adult users: \$1.5 million risk (only if age verification mandated).

Under current COPPA provisions, online services and websites are required to have an age minimum of 13 years old on their platforms (i.e., displayed on each site's ToS). Platforms are liable only if they have knowledge that a user is younger than 13, such as through self-reporting age or birthday during sign-up. However, studies show that millions of children younger than 12 still use these platforms and the Federal Trade Commission (FTC) has begun imposing harsher sanctions (e.g., "neutral" age-gating). Provisions in KOSMA would require social media companies to further restrict kids' activities on their platforms, closing a major loophole in COPPA, where they can claim they have no knowledge that children are on their services.

Fewer Youth Users

In an extreme scenario where Meta is forced to delete accounts of all existing users younger than 13, we believe the company would lose about \$960 million in annual revenue. We base our estimates on a [December 2023 Harvard study](#), which found that about 2.8 million children (defined as ages 0-12) use Facebook and 4 million use Instagram despite the company's current 13-year-old age requirement (see Exhibit 2).

We estimate that the average annual revenue per US user on Facebook and Instagram, respectively, is \$206.44 and \$95.37. Our methodology for calculating the average annual revenue per user for Facebook and Meta is detailed in a prior note (see "[FTC Continues Pursuit to Permanently Curb Meta's Use of Youth Data; Faces Uphill Battle but 3% of Meta's Annual Revenue at Risk](#)," April 19, 2024) and based on the company's financial disclosures.

Using these numbers, we multiply the average annual revenue by the number of users on each platform to find that if Meta is required to remove all users under the age of 12, it would lose \$960 million in annual revenue (\$578 million for Facebook and \$382 million for Instagram).

Exhibit 2: Impact of a Federal Age Verification Mandate on Meta

	Segment	Total Revenue	Total US Users	% Affected	Affected Revenue	Affected Users
Facebook	> 13	\$578M	2.8 M	100%	\$578M	2.8 M
	13-17	\$1.3B	6.1 M	63%	\$817M	6.1 M
	18+	\$31.3B	151.4 M	3.2%	\$991M	4.8 M
	Total	\$33.2B	160 M	7%	\$2.4B	13.7 M
Instagram	> 13	\$382M	4 M	100%	\$382M	4 M
	13-17	\$1B	11 M	67%	\$699M	11 M
	18+	\$17.5B	183 M	3.2%	\$563M	5.9 M
	Total	\$19B	198 M	8%	\$1.6B	20.9 M

Source: Meta Platforms Inc. Corporate Filings, Capstone analysis

¹Figures based on our estimates of Meta's revenue per user and speculative data from various studies on child users. As approximations, they may not align precisely with Meta's 2022 revenue filings.

²The users and user revenue lost in the 18+ segment would be applicable only if Congress passed a federal age verification bill.

Additionally, the proposed federal bills limit data collection and stop targeted advertising for teens between 13 and 17, which we estimate will pose an additional \$1.5 billion risk for Meta. To estimate this impact, we used Meta's 2022 average revenue per user (ARPU) for Facebook and Instagram in Europe, where targeted ads are less prevalent, and multiplied it by the number of teen users in the US.

- For Facebook, we sum the four quarterly ARPUs in Europe in Meta's 2024 corporate filings to find \$72.51 per person.
- For Instagram, we assume that the average revenue per person in the US and Canada is 3x higher than in Europe and worldwide, getting us to \$31.79 per person in Europe.

Applying these ARPUs to teen users in the US, about 63% and 67% of Meta's revenue from teens for Facebook and Instagram would be at risk, respectively, or approximately \$1.5 billion of Meta's annual revenue.

Decreased Adult Users

Capstone believes in the unlikely event that Congress enacts a measure mandating social media platforms to implement digital identity age verification measures (as detailed in the First Amendment Concerns section below), a sizable number of adult users also would be compelled to stop using their services. As we detailed [previously](#), surveys estimate that 32% of US adults are opposed to using a digital identity. Assuming that one-tenth of those in opposition to online identity verification possess social media accounts and do not reverify, we conclude that 3.2% of current adult users would stop using social media in the event of an age verification mandate.

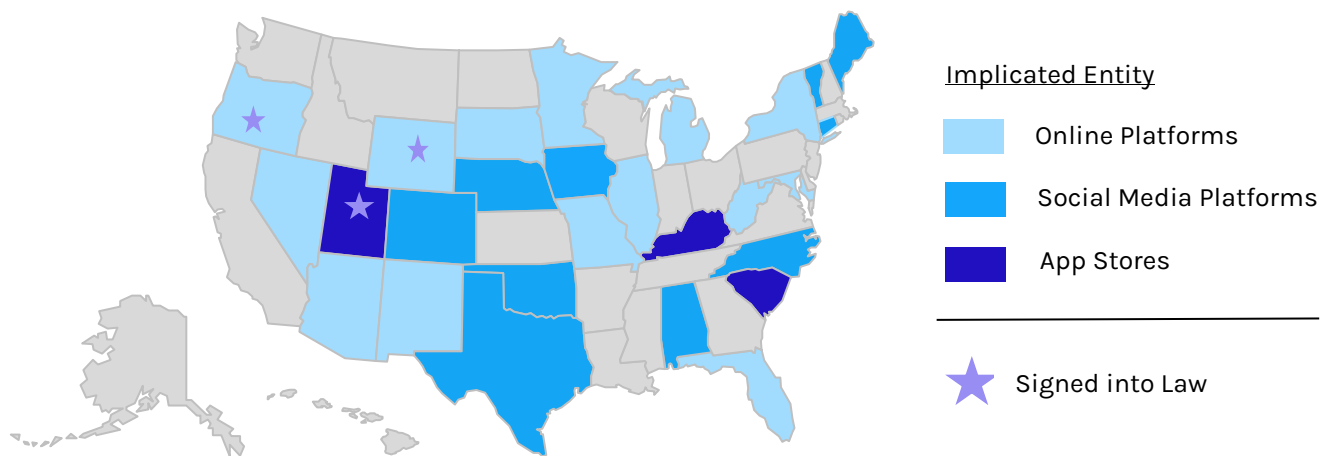
According to the Harvard study, 151.4 million adults use Facebook and 183 million use Instagram. Therefore, we estimate that 4.8 million users and 5.9 million users would stop using Facebook and Instagram, respectively, if they implement age verification. Applying the \$206.44 and \$95.37 per user rates here, we estimate that Meta would lose \$991 million for Facebook and \$563 million for Instagram annually, or \$1.5 billion total, on top of the \$2.5 billion loss of child users and teen revenue.

Impact of and Influence on State Legislation

In the absence of federal action, many states have attempted to pass laws aimed at protecting children online, often through strict age verification mandates (see Exhibit 3). However, the few bills that have been enacted have been successfully challenged on First Amendment grounds. Several states, including Arkansas, Texas, Mississippi, and California, have passed legislation requiring social media companies to verify users' ages before creating accounts, but none of these bills has survived First Amendment challenges in court.

Capstone notes that Utah is taking a more novel approach that Meta CEO Mark Zuckerberg first floated, shifting liability from social media companies to app stores by requiring the latter to administer and enforce age restrictions before allowing downloads of social media apps. This approach could bypass First Amendment challenges by targeting access rather than content.

Exhibit 3: States with Proposed Online Age Verification Bills



Source: Privacy Daily, state legislatures, Capstone analysis.
Note: Map does not reflect bills that were struck down by courts.

First Amendment Concerns

On March 26, 2025, Utah governor Spencer Cox signed the App Store Accountability Act (S.B. 142) into law, making Utah the first state to require app stores to use “commercially available methods” and obtain parental consent for users under 18 to verify user age. Several states have attempted and failed to enact similar “age gating” requirements for app stores or social media companies. Notably, a federal judge blocked California’s Age-Appropriate Design Code (AADC) in 2023, and as Capstone predicted, Mississippi’s age verification law (H.B. 1126) was struck down in 2024. We believe Utah’s age verification law will likely encounter legal challenges over similar First Amendment issues. Industry groups such as the Chamber of Progress have already vowed to challenge Utah’s law on speech and privacy grounds.

Lawmakers at the state and federal levels have struggled to craft legislation and defend statutes strengthening protections for children online without running into several key First Amendment concerns related to user rights and social media platforms (see Exhibit 4). Key provisions that have hit stumbling blocks include:

- **Duty of Care:** Online platforms would have a legal obligation to take “reasonable steps” to protect minors from harmful content on their services.
- **Content Restriction:** Online platforms would be required to limit minors’ exposure to harmful content by adjusting their algorithms and implementing increased content moderation policies.
- **Age Verification:** Platforms would have to implement the “commercially available” methods to determine the identity and age of users, likely through the collection of sensitive personal data (i.e., government IDs, biometric data) or the use of digital identities.

Exhibit 4: First Amendment Concerns and Impacts on Companies

High ● ● ● ● ● Low

	First Amendment Concern	Example State or Federal Bill	Financial Impact	
			Social Media Companies	App Stores
Duty of Care	Platforms may over-censor to avoid liability.	KOSA, KOSPA	●	●
Content Restriction	Removing “harmful” speech could be seen as government-compelled regulation of lawful speech.	KOSA	●	●
Age Verification	Age verification requirements have potential “chilling effects” on adult users.	Mississippi H.B. 1126, Utah S.B. 142	●	●

Source: US Congress, Capstone analysis

Given these considerations, we believe federal lawmakers will focus on transparency, parental controls, and platform accountability, rather than age verification and other measures.

What's Next

KOSMA now awaits a full Senate vote. It does not yet have a companion bill in the House. Still, Chair Cruz indicated that the committee will hold votes on at least two other, more controversial online safety bills, including KOSA and the COPPA 2.0, this year. Senator Brian Schatz (D-HI), another sponsor, noted that the bill does not compete with KOSA or COPPA 2.0, but rather aims to “layer additional protections for social media on top of their protections for kids online.”

The US Supreme Court is set to rule on the constitutionality of age verification laws this year after hearing oral arguments in January 2025 in *Free Speech Coalition v. Paxton*, which challenges Texas’ H.B. 1181. The high court typically issues decisions within three to six months to issue a decision after hearing oral arguments, making a ruling in this case likely by June 2025.

Unpacking Our Probability and Timing

Capstone assigns a 60% probability that Congress will pass a children’s online privacy bill requiring social media platforms in 2025. As Congress has not passed a similar bill since 1998, we begin with an initial base rate of 7%, the historical success rate of introduced legislation. We raise that probability to 60% to account for the following factors:

- **Strong leadership backing:** Senate Commerce Committee Chair Cruz has championed both KOSMA and KOSA (which he cosponsored), saying passing online privacy legislation

is an “important step in the fight to protect children online against vile and harmful content.” On the House side, Speaker Johnson’s recent comments suggest that he is open to advancing similar legislation.

- **Other endorsements:** In December 2024, former X CEO and head of President Trump’s Department of Government Efficiency (DOGE) Elon Musk endorsed KOSA, while X CEO Linda Yaccarino said she would “make sure it accelerates.” Yaccarino announced on the platform that she had worked with Senators Richard Blumenthal (D-CT) and Marsha Blackburn (R-TN) to update KOSA late last year. While these endorsements were made for a past version of the bill, Musk’s backing could prompt the Trump administration to prioritize and support similar bills.
- **Tech giants:** Meta and Snap have stood in staunch opposition to federal bills targeting platforms and instead have expressed support for the Utah state bill, writing “parents want a one-stop shop to verify their child’s age” and “the app store is the best place for it.”
- **State-level momentum:** Recent momentum at the state level in Utah, Wyoming, and California could incentivize Congress to implement one clear federal framework rather than conflicting state rules. Furthermore, legal challenges to some state laws could reinforce the need for consistent nationwide legislation.
- **First Amendment concerns and past disapproval from House Republicans:** The House has previously stalled bills like KOSA over concerns of censorship and privacy. Additionally, First Amendment challenges have been used to strike down or delay similar laws at the state level. These constitutional challenges, combined with skepticism in the House, could create barriers to passing a federal kids’ privacy bill.

Risks to Our Thesis

- Congress passes a kids’ online privacy bill that places responsibility directly on the app stores.
- The US Supreme Court rules that age verification laws or other regulations on internet services are unconstitutional in *Free Speech Coalition v. Paxton*.
- The companies choose to ignore requirements and risk being fined by the FTC for non-compliance. Based on the largest COPPA fine to date (paid by Epic Games in 2022), platforms could be fined up to \$50 per child (see [“Meta: Judge Keeps Most State AGs’ Addiction, Children’s Privacy Claims Alive, Exposing Meta to Initial \\$337 million in Damages, Risk of Further Penalties,”](#) October 17, 2024).

In Case You Missed It: A roundup of Capstone’s recent notes on children’s online privacy:

[Meta: Judge Keeps Most State AGs’ Addiction, Children’s Privacy Claims Alive, Exposing Meta to Initial \\$337 million in Damages, Risk of Further Penalties](#), October 17, 2024

[Age Verification Laws Pose Longshot Threat Up to 18% OF Meta, Snap, Social Media Revenue Should Mississippi Law Withstand Court Challenge](#), June 20, 2024

[FTC Continues Pursuit to Permanently Curb Meta's Use of Youth Data; Faces Uphill Battle but 3% of Meta's Annual Revenue at Risk](#), April 19, 2024