



## **Standards SBA Publishes Proposed Rule on Adoption of 2017 North American Industry Classification System for Size**

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Today, the SBA published its proposed Rule on adoption of the 2017 North American Industry Classification System (“NAICS”) as it relates to size standards. The SBA must receive comments by June 29, 2017.

This update will include a short summary of the NAICS Code changes (“NAICS 2017”), why they were done, a link to the Federal Register Proposed Rule, and a somewhat rough reprint of certain charts from the Notice of Proposed Rule comparing the changes/demonstrating the effect of the changes. Please contact the author with any questions you may have.

According to the Notice of Proposed Rule and the Summary of the Proposed Rule, NAICS 2017 created 21 new industries by reclassifying, combining, or splitting 29 existing industries under changes made to NAICS in 2012 (NAICS 2012). SBA’s proposed size standards for these 21 new industries have resulted in an increase to size standards for six NAICS 2012 industries and part of one industry, a decrease to size standards for two, a change in the size standards measure from average annual receipts to number of employees for one, and no change in size standards for twenty industries and part of one industry. SBA proposes to adopt the updated table of size standards, effective October 1, 2017.

The SBA stated in its notice of the proposed rule that it considered retaining the size standards of NAICS 2012, but this would lead to inconsistencies between it and other Federal agencies that will adopt the OMB’s recommendations for statistical analysis of certain industries. That inconsistency, according to the SBA, would leave it unable to analyze and evaluate industry standards accurately and adjust the small business size standards appropriately.

Here is the link to the Proposed Rule: <https://www.gpo.gov/fdsys/pkg/FR-2017-04-18/pdf/2017-07709.pdf>

Here are some charts roughly pulled from the SBA’s announcement that may be helpful:

**I. Table 1 NAICS 2012 Industries or Their Parts Matched to NAICS 2017 Industries**

<b>NAICS 2012 code</b>	<b>NAICS 2012 industry title</b>	<b>Status code</b>	<b>NAICS 2017 code</b>	<b>NAICS 2017 industry title</b>
211111	Crude Petroleum and Natural Gas Extraction			
	<i>crude petroleum extraction</i>		211120	Crude Petroleum Extraction
	<i>natural gas extraction</i>	pt.	211130	Natural Gas Extraction
211112	Natural Gas Liquid Extraction	pt.	211130	Natural Gas Extraction
212231	Lead Ore and Zinc Ore Mining	pt.	212230	Copper, Nickel, Lead, and Zinc Mining
212234	Copper Ore and Nickel Ore Mining	pt.	212230	Copper, Nickel, Lead, and Zinc Mining
333911	Pump and Pumping Equipment Manufacturing	pt.	333914	Measuring, Dispensing, and Other Pumping Equipment Manufacturing
333913	Measuring and Dispensing Pump Manufacturing	pt.	333914	Measuring, Dispensing, and Other Pumping Equipment Manufacturing
335221	Household Cooking Appliance Manufacturing	pt.	335220	Major Household Appliance Manufacturing
335222	Household Refrigerator and Home Freezer Manufacturing.	pt.	335220	Major Household Appliance Manufacturing
335224	Household Laundry Equipment Manufacturing	pt.	335220	Major Household Appliance Manufacturing
335228	Other Major Household Appliance Manufacturing	pt.	335220	Major Household Appliance Manufacturing

452111	Department Stores (except Discount Department Stores).	pt.	452210	Department Stores
452112	Discount Department Stores			
	<i>insignificant perishable grocery sales</i>	pt.	452210	Department Stores
	<i>significant perishable grocery sales</i>	pt.	452311	Warehouse Clubs and Supercenters.
<b>NAICS 2012 code</b>	<b>NAICS 2012 industry title</b>	<b>Status code</b>	<b>NAICS 2017 code</b>	<b>NAICS 2017 industry title</b>
452910	Warehouse Clubs and Supercenters	pt.	452311	Warehouse Clubs and Supercenters.
452990	All Other General Merchandise Stores	nc.	452319	All Other General Merchandise Stores
454111	Electronic Shopping	pt.	454110	Electronic Shopping and Mail-Order Houses.
454112	Electronic Auctions	pt.	454110	Electronic Shopping and Mail-Order Houses.
454113	Mail-Order Houses	pt.	454110	Electronic Shopping and Mail-Order Houses.
512210	Record Production	pt.	512250	Record Production and Distribution.
512220	Integrated Record Production/Distribution	pt.	512250	Record Production and Distribution.
517110	Wired Telecommunications Carriers	nc.	517311	Wired Telecommunications Carriers
517210	Wireless Telecommunications Carriers (except Satellite).	nc.	517312	Wireless Telecommunications Carriers (except Satellite).
532220	Formal Wear and Costume Rental	nc.	532281	Formal Wear and Costume Rental
532230	Video Tape and Disc Rental	nc.	532282	Video Tape and Disc Rental

532291	Home Health Equipment Rental	nc.	532283	Home Health Equipment Rental.
532292	Recreational Goods Rental	nc.	532284	Recreational Goods Rental.
532299	All Other Consumer Goods Rental	nc.	532289	All Other Consumer Goods Rental
<b>NAICS 2012 code</b>	<b>NAICS 2012 industry title</b>	<b>Status code</b>	<b>NAICS 2017 code</b>	<b>NAICS 2017 industry title</b>
541711	Research and Development in Biotechnology			
	<i>nanobiotechnologies research and experimental development laboratories</i>	pt.	541713	Research and Development in Nanotechnology
	<i>except nanobiotechnologies research and experimental development laboratories</i>		541714	Research and Development in Biotechnology (except Nanobiotechnology)
541712	Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology)			
	<i>nanotechnology research and experimental development laboratories</i>	pt.	541713	Research and Development in Nanotechnology
	<i>except nanotechnology research and experimental development laboratories</i>		541715	Research and Development in the Physical, Engineering, and Life Sciences (except Nanotechnology and Biotechnology).
721310	Rooming and Boarding Houses	nt.	721310	Rooming and Boarding Houses, Dormitories, and Workers' Camps

Key to Abbreviations

pt. = Part of 2017 industry.

nc. = 6-digit NAICS codes changed without changing industries' definitions and titles.

nt. = NAICS industry title amended without changing the 6-digit code.

## II. **Table 2 General Guidelines to Establish Size Standards for New Industries under NAICS 2017**

	<b><u>If the NAICS 2017 industry is composed of:</u></b>	<b><u>The size standard for the NAICS 2017 industry code will be:</u></b>
1	A single NAICS 2012 industry or part of a single NAICS 2012 industry	The same size standard as for the NAICS 2012 industry or part.
2	Two or more NAICS 2012 industries; two or more parts of an NAICS 2012 industry; parts of two or more NAICS 2012 industries; or one or more NAICS 2012 industries and part(s) of one or more NAICS 2012 industries, and	
	2a. they all have the same size standard	The same size standard as for the NAICS 2012 industries or parts.

	<p>2b. they all have the same size measure (<i>e.g.</i>, receipts, employees, <u>etc.</u>) but do not all have the same size standard</p>	<p>The same size standard as for the NAICS 2012 industry or part that most closely matches the economic activity described by the NAICS 2017 industry, or</p> <p>The highest size standard among the NAICS 2012 industries and part(s) that comprise the NAICS 2017 industry, provided that the highest size standard does not include dominant or potentially dominant firms.</p>
	<p>2c. they have different size measures (<u>i.e.</u>, for example, some are based on receipts and others on employees) and hence do not all have the same size standard</p>	<p>The same size standard as for the NAICS 2012 industry or part that most closely matches the economic activity described by the NAICS 2017 industry, or</p> <p>The highest size standard among the NAICS 2012 industries and part(s) that comprise the NAICS 2017 industry, provided that the highest size standard does not include dominant or potentially dominant firms.</p> <p>To apply this rule, SBA converts all size standards to a single measure (<u>e.g.</u>, receipts, employees, <u>etc.</u>) using the size measure for the NAICS 2012 industry or part(s) that most closely match the economic activity described by the NAICS 2017 industry or using the size measure that applies to most of the NAICS industries or parts comprising the NAICS 2017 industry.</p>

In addition to the above general guidelines, in cases where a new industry is formed by merging multiple industries or their parts with substantially different levels or different measures of size standards, in this proposed rule to adopt NAICS 2017, SBA has also examined the relevant latest industry and Federal procurement data to determine an appropriate size standard for the new industry. Developed based on the above guidelines and analyses of the relevant data, where necessary, SBA's proposed size standards for the

new industries under NAICS 2017 are shown in Table 3, “Proposed Size Standards for New Industries in NAICS 2017.” Also shown in the table are the current size standards for the affected NAICS 2012 industries and their parts.

**I. Table 3 Proposed Size Standards for New Industries in NAICS 2017**

NAICS 2012 code	NAICS 2012 industry title	Current size standard (employees)	Current size standard (\$ million)	Proposed NAICS 2017 size standard (employees)	Proposed NAICS 2017 size standard (\$ million)	NAICS 2017 code	NAICS 2017 industry title
211111	Crude Petroleum and Natural Gas Extraction	1,250					
	<i>crude petroleum extraction</i>	1,250		1,250		211120	Crude Petroleum Extraction
	<i>natural gas extraction</i>	1,250		1,250		211130	Natural Gas Extraction
211112	Natural Gas Liquid Extraction	750					
212231	Lead Ore and Zinc Ore Mining	750		750		212230	Copper, Nickel, Lead, and Zinc Mining
212234	Copper Ore and Nickel Ore Mining	1,500					
333911	Pump and Pumping Equipment Manufacturing	750		750		333914	Measuring, Dispensing, and Other Pumping Equipment Manufacturing
333913	Measuring and Dispensing Pump Manufacturing	750					



NAICS 2012 code	NAICS 2012 industry title	Current size standard (employees)	Current size standard (\$ million)	Proposed NAICS 2017 size standard (employees)	Proposed NAICS 2017 size standard (\$ million)	NAICS 2017 code	NAICS 2017 industry title
335221	Household Cooking Appliance Manufacturing	1,500		1,500		335220	Major Household Appliance Manufacturing
335222	Household Refrigerator and Home Freezer Manufacturing.	1,250					
335224	Household Laundry Equipment Manufacturing	1,250					
335228	Other Major Household Appliance Manufacturing	1,000					
452111	Department Stores (except Discount Department Stores).		\$32.5		\$32.5	452210	Department Stores
452112	Discount Department Stores		\$29.5				
	<i>insignificant perishable grocery sales</i>		\$29.5				
452112	Discount Department Stores		\$29.5				
	<i>significant perishable grocery sales</i>		\$29.5		\$29.5	452311	Warehouse Clubs and Supercenters
452910	Warehouse Clubs and Supercenters		\$29.5				

452990	All Other General Merchandise Stores		\$32.5		\$32.5	452319	All Other General Merchandise Stores
454111	Electronic Shopping		\$32.5		\$38.5	454110	Electronic Shopping and Mail-Order Houses
454112	Electronic Auctions		\$38.5				
454113	Mail-Order Houses		\$38.5				

<b>NAICS 2012 code</b>	<b>NAICS 2012 industry title</b>	<b>Current size standard (employees)</b>	<b>Current size standard (\$ million)</b>	<b>Proposed NAICS 2017 size standard (employees)</b>	<b>Proposed NAICS 2017 size standard (\$ million)</b>	<b>NAICS 2017 code</b>	<b>NAICS 2017 industry title</b>
512210	Record Production		\$7.5	250		512250	Record Production and Distribution
512220	Integrated Record Production/Distribution	1,250					
517110	Wired Telecommunications Carriers	1,500		1,500		517311	Wired Telecommunications Carriers
517210	Wireless Telecommunications Carriers (except Satellite).	1,500		1,500		517312	Wireless Telecommunications Carriers (except Satellite)
532220	Formal Wear and Costume Rental		\$20.5		\$20.5	532281	Formal Wear and Costume Rental
532230	Video Tape and Disc Rental		\$27.5		\$27.5	532282	Video Tape and Disc Rental
532291	Home Health Equipment Rental		\$32.5		\$32.5	532283	Home Health Equipment Rental
532292	Recreational Goods Rental		\$7.5		\$7.5	532284	Recreational Goods Rental
532299	All Other Consumer Goods Rental		\$7.5		\$7.5	532289	All Other Consumer Goods Rental

541711	Research and Development in Biotechnology	1,000					
	<i>nanobiotechnologies research and experimental development laboratories</i>	1,000		1,000		541713	Research and Development in Nanotechnology
	<i>except nanobiotechnologies research and experimental development laboratories</i>	1,000		1,000		541714	Research and Development in Biotechnology (except Nanobiotechnology)
<b>NAICS 2012 code</b>	<b>NAICS 2012 industry title</b>	<b>Current size standard (employees)</b>	<b>Current size standard (\$ million)</b>	<b>Proposed NAICS 2017 size standard (employees)</b>	<b>Proposed NAICS 2017 size standard (\$ million)</b>	<b>NAICS 2017 code</b>	<b>NAICS 2017 industry title</b>
541712	Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology)	1,000					
	<i>nanotechnology research and experimental development laboratories</i>	1,000		1,000		541713	Research and Development in Nanotechnology
	<i>except nanotechnology research and experimental development laboratories</i>	1,000		1,000		541715	Research and Development in the Physical, Engineering, and Life Sciences (except Nanotechnology and Biotechnology)

721310	Rooming and Boarding Houses		\$7.5		\$7.5	721310	Rooming and Boarding Houses, Dormitories, and Workers' Camps
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