

UNDERSTANDING NAICS CODES

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AGENDA

- **What are NAICS Codes**
 - Why do you need a NAICS Code
 - How do you get a NAICS Code
- **SBA Size Standards**
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- **General Requirements**
- **Wholesale Trade or Retail Trade NAICS code**
- **Assignment of NAICS Codes**
- **Supplier Profile Self-Certification (Exostar)**
- **Responding to a Solicitation/RFQ/Proposal**

WHAT ARE NAICS CODES

- The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy
- NAICS was adopted in 1997 to replace the Standard Industrial Classification (SIC) system in cooperation with the statistical agencies of Canada and Mexico. Their goal was to establish a North American standard. They developed the NAICS as the first economic classification system based on a single economic concept.
- NAICS codes are updated every five years to ensure a more accurate alignment with our economy. New NAICS codes are not available for use until the Small Business Administration (SBA) publishes corresponding size standards.
- Go to the U.S. Census Bureau at <https://www.census.gov/eos/www/naics/> to find more information on NAICS codes.

WHAT ARE NAICS CODES?



North American Industry Classification System (NAICS) and their corresponding size standards are the means through which “small” businesses are determined.



Supplier

Describes capabilities and industry (What they sell)



LM Procure to Pay

Buyer

Validates principal purpose of procurement (What we buy)



- The SBA defines a small business either in terms of the **average number of employees** over the past 12 months or **average annual receipts** over the past three years.
- A supplier with multiple NAICS Codes can be considered **small** in one NAICS Code and **large** in another depending on the corresponding size standards.

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
332710	Machine Shops		500
541330	Engineering Services	\$ 15.0	

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WHY DO YOU NEED A NAICS CODE?

- **13 CFR 121-402** Requires Contractor to designate the proper NAICS code and corresponding size standard in a solicitation.
- **FAR 52.219-9(e)(7)** requires Contractors to assign NAICS codes and corresponding size standards to all subcontracts.
- **FAR 19.301-1 (a)(1)(i)(ii)** states that to be eligible for award as a small business, an offeror must represent in good faith –
 - That it meets the small business size standard corresponding to the NAICS code identified in the solicitation
 - For a multiple-award contract where there is more than one NAICS code assigned, that it meets the small business size standard for each distinct portion (*e.g.*, line item numbers) for which it submits an offer.
- Various government agencies, trade associations and regulatory boards have adapted the NAICS classification system for their internal needs.
- Some agencies post contract bids to any business within a given NAICS code. Other government entities may offer tax incentives to businesses within a given NAICS Classification

HOW DO YOU GET A NAICS?

- NAICS is a Self-Assigned System; no one assigns you a NAICS Code.
- Select the code or codes that best depicts your primary business activity
- If your business includes more than one unique line of business, you may want to use more than one NAICS Code.
- Go to the U.S. Census Bureau at <https://www.census.gov/eos/www/naics/> to find more information on NAICS codes.

SBA SIZE STANDARDS

- **Size standards are established by the SBA's Administrator. The Office of Size Standards makes recommendations to the Administrator for establishing or revising size standards, according to changes in industries and the economy. When making these recommendations, the office uses the most recent data and NAICS codes available. The size standards for NAICS codes calculated on annual receipts was last updated in 2019.**
- **NAICS categories do not distinguish between small and large business, or between for-profit and non-profit. The Small Business Administration (SBA) developed size standards for each NAICS category.**
 - To find more information about the SBA size standards, visit www.sba.gov/content/small-business-size-standards. You may also contact SBA's Office of Size Standards on 202-205-6618 or via email at sizestandards@sba.gov.
- **The size standards are for the most part expressed in either millions of dollars or number of employees. A size standard is the largest that a concern can be and still qualify as a small business for Federal Government programs. For the most part, size standards are the average annual receipts or the average employment of a firm.**
 - SBA issued a final rule on the Small Business Runway Extension Act effective January 6, 2020
 - Calculation of average annual receipts changed from 3 years to 5 years
 - Until January 6, 2022, a company can decide if they want to use the 3 year calculation or the 5 year calculation to determine their size to that NAICS
- **Small Businesses typically have 4 – 5 NAICS Codes; however, their ability to be fluid allows for a frequent addition or deletion.**
- **A business may qualify as large in one NAICS code and small in another.**

SBA COMMON TERMS

- **Common terms to help you ensure that you are classified correctly as small**
 - **Affiliates:** You must include the employees or receipts of all affiliates when determining the size of a business. Affiliation with another business is based on the power to control, whether exercised or not. The power to control exists when an external party has 50 percent or more ownership. It may also exist with considerably less than 50 percent ownership by contractual arrangement or when one or more parties own a large share compared to other parties. Check the SBA’s compliance guide for size and affiliation for more detailed information.
 - The SBA determines affiliation in accordance with [13 CFR 121.103](#).
 - **Annual receipts:** This is the “total income” (or “gross income”) plus the “cost of goods sold.” These numbers can normally be found on your IRS tax return forms. Receipts are averaged over a business’s latest three complete fiscal years or (except in the Business Loan and Disaster Loan Programs) five complete fiscal years to determine the average annual receipts. If a business hasn’t been in business for five years, multiply its average weekly revenue by 52 to determine its average annual receipts.
 - The SBA calculates annual receipts in accordance with [13 CFR 121.104](#).
 - **Employee calculation:** This is the average number of people employed for each pay period over the business’s latest 12 calendar months. Any person on the payroll must be included as one employee regardless of hours worked or temporary status. The number of employees of a concern in business less than 12 months is the average for each pay period that it has been in business.
 - The SBA calculates number of employees in accordance with [13 CFR 121.106](#)
- **When you calculate the size of your business, you must include the annual receipts and the employees of your affiliates. When another person or business can control your business, they are an affiliate. This is true even if they don’t exercise their control.**

GENERAL REQUIREMENTS

- **In addition to meeting the numerical standards for small, your business must:**
 - Be a for-profit business of any legal structure
 - Be independently owned and operated
 - Not be nationally dominant in its field
 - Be physically located and operate in the U.S. or its territories
 - Businesses outside the U.S. may still be counted as small if they have an operation in the U.S. that makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials, or labor.

WHOLESALE TRADE OR RETAIL TRADE NAICS CODE (SECTOR 42 WHOLESALE TRADE, 44-45 RETAIL TRADE)

- **13 CFR121.402** - Acquisitions for supplies must be classified under the appropriate manufacturing NAICS code, not under a Wholesale Trade or Retail Trade NAICS code. A concern that submits an offer or quote for a contract or subcontract where the NAICS code assigned to the contract or subcontract is one for supplies, and furnishes a product it did not itself manufacture or produce, is categorized as a nonmanufacturer and deemed small if it has 500 or fewer employees.
- Per SBA “When a company selects a manufacturer NAICS, it is declaring that it provides a manufactured product, not necessarily declaring that it is “THE MANUFACTURER.” The manufacturing codes are for manufacturers and non-manufacturers supplying products.”
 - The wholesale and retail NAICs are in the NAICS system for other uses, such as SBA loans. They are not for federal procurement.

ASSIGNMENT OF NAICS CODE

- Lockheed Martin assigns the appropriate NAICS Code and business size standard to the solicitation for products and services. The supplier must then submit their offer, aligned with the assigned NAICS Code. The supplier must certify to their size, in accordance with the SBA NAICS Size Standard, at the time of their offer. ***FAR 19.301-1 (a)(1)(i)(ii)***
 - *Lockheed provides the size standard for the NAICS code/codes on the solicitation to help you determine your companies size according to that standard*
 - *If you submit an offer, and you win, you are stating that the NAICS code provided on the solicitation is a NAICS code you can certify to. Make sure that NAICS code is in your Exostar profile.*
- The size of the supplier at time of award prevails for the life of the contract.
- NAICS Code assignments are reviewed in CPSR & Small Business audits and are included in semi-annual and annual government reporting.

SUPPLIER PROFILE SELF-CERTIFICATION (EXOSTAR)

- Login to your [Exostar MAG account](https://portal.exostar.com/idprov/pages/home/dashboard.faces) - <https://portal.exostar.com/idprov/pages/home/dashboard.faces>
 - You will need your User ID and Password



- Access the Organization Details sub-tab under My Account Tab
- Select 'View in Trading Partner Management (TPM)' to access the organization profile. Review the address information on the Organization Summary screen. If changes are necessary, they must be done on the Dun & Bradstreet website
- Select Self-Certification on the left-hand navigation (all self-certifications must be either Yes or No, or Small or Large in the case of small business)
- On the Self-Certification screen, update your self-certification for Small Business, Small Disadvantaged Business, Woman Owned Small Business, HUBZone, Veteran Owned, and Service Disabled Veteran Owned.
- Scroll to the bottom and select Certify Size & Status (by selecting the 'Certify Size and Status' button will save your selections and certify them for another year)

EXOSTAR SELF-CERTIFICATION SCREEN

<i>Step</i>	<i>Action</i>
20.	<p>At least one (1) NAICS must be tagged as Primary. Click the Browse and Add button for additional information. Once you have determined the correct information for your company, scroll to the bottom of the box and click OK.</p> <p>Click the NAICS Primary Code checkbox applicable your company's primary NAICS code only.</p>
21.	<p>Click the NAICS Company Size field dropdown and select the appropriate item for the each NAICS code. To add more NAICS codes, click the button titled "Add new NAICS Code".</p>
22.	<p>All fields preceded by asterisks (*) must be completed. All other fields are optional and may be entered as appropriate.</p> <p>On the <i>Self Certification</i> screen, the Not Selected is the default selection for each field. Select the appropriate responses for your company.</p>
23.	<p>Click the Certify NAICS, Size & Status button to certify these selections for one year.</p>
24..	<p>Click Next to continue.</p>

EXOSTAR SELF-CERTIFICATION SCREEN

US TEST COMPANY 624 - Socio-economic Self-certification

Instructions:

- Click on "Review & Submit" to verify entry or to add to your existing NAICS codes. To assist you with this task, your company information (MC and NAICS data from Data & Backorder (DBO) is displayed. When complete, click on the OK button to save and return to main page.
- For each NAICS displayed, select whether its primary or not and your company size for (Small or Other).
- Certify your NAICS, Size, and Status then click "Save" or "Next" to proceed.

NAICS Code	NAICS Description	NAICS Code	NAICS Description
238100	NEW SINGLE-FAMILY HOUSING CONSTRUCTION (except OPERATIVE SUBDIVISIONS)	238100	Other, Ten, and Other Manufacturing
238110	New Multifamily Housing Construction (except Operative Subdivisions)		
238120	New Housing Operative Subdivisions		
238190	Residential Remodelers		

I certify the following organization NAICS, size, and relative attributes to Lockheed Martin:

My Organization is (Small or Large or Not Selected)

My Organization is (Primary or Not Primary)

My Organization is (Service Disabled Veteran Owned)

My Organization is (Small Business Set-aside)

My Organization is (Disadvantaged Business Enterprise)

My Organization is (Minority Owned)

My Organization is (Woman Owned)

My Organization is (Service Disabled Veteran Owned)

By clicking the "Certify NAICS, Size, and Relative Attributes" button, I am authorized to affirm the accuracy of the representations and certifications contained herein, including the entire NAICS table. Lockheed Martin may be subject to penalties if misrepresented OR TEST COMPANY

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RESPONDING TO A SOLICITATION/RFQ/PROPOSAL

- **Review the documentation and the NAICS code associated with the solicitation**
- **If you qualify for the NAICS code identified, check your Exostar profile and make sure it is there, and your size is coded correctly. If you feel that the NAICS code identified on the solicitation is not correct, reach out to the buyer to understand why this NAICS was assigned.**
- **Respond to the buyer, providing them with all of the information requested, in the appropriate timeframe**

NEED HELP?

- Exostar website: <http://www.myexostar.com>
- Exostar Help Desk: 1-703-793-7800
- Supplier Communications: supplier.communications@lmco.com
- US Census Bureau North American Industry Classification System: <https://www.census.gov/eos/www/naics/>
- SBA Size Standards: <https://www.sba.gov/managing-business/running-business/size-standards>
- SBA Table of Small Business Size Standards: <https://www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards%20%20>

