

North American Industry Classification System (NAICS) Codes FAQ

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There have been many questions about NAICS Codes, what they are and how they affect rental businesses. This set of frequently asked questions will help you understand how NAICS Codes are used and why your business has a particular NAICS Code(s).

What are NAICS Codes?

NAICS Codes are used by the U.S. Census Bureau to classify businesses so that the government can collect economic data. These data are used to establish the size of industries and their impact on the U.S. economy. The system was changed from Standard Industrial Classification (SIC) Codes to NAICS Codes in 1998 to harmonize the U.S. Codes with those of Canada and Mexico in an effort to collect economic and statistical data for North America. Businesses choose a NAICS code based on the primary nature of the business in which they are engaged. In the case of rental businesses of all types, the NAICS Codes all begin with 53 which is the two-digit code for Real Estate and Leasing. The primary nature of businesses with NAICS Codes that begin with 53 is that they rent or lease property, both real and personal. Every five years the Census conducts a survey called the Economic Census. The next Economic Census takes place in 2022 and will collect information on rental businesses as well as many other businesses in the U.S.

How do I get a NAICS Code?

Businesses choose a NAICS Code when they establish the business. If the fundamental nature of the business changes, the business can change its NAICS Code. For example, if a rental business was renting construction equipment and tools, they may have had a NAICS 532412. If that business decided to switch to 100% event rentals, they could change their classification to 532289.

Can a business have more than one NAICS Code?

Yes, a business can have more than one NAICS Code. For example, a rental business that has both an equipment and tool division as well as an event rental division could have two NAICS codes, 532412 and 532289.

Can I choose any NAICS Code I want for my business?

Yes, however, because NAICS Codes have been used to determine who receives certain government benefits or how some insurance rates are set, choosing a NAICS that does not reflect your actual business activity could be considered fraudulent. You cannot be in the rental business and say you are an accountant just to get lower workman's compensation rates; that would be fraud.

Does the Census Bureau ever change NAICS Codes?

Census does review NAICS codes and ARA has asked for a review of the code 532289 containing many elements of the event rental industry. We believe event rental should have a more focused NAICS Code. However, changing a NAICS Code is a long, involved process and it will likely take several years to get any results from our effort. It is important to note that reevaluating the event rental NAICS code will not result in a change in the fundamental classification of event rental businesses as rental businesses. Event rental businesses will not be classified as food service or lodging businesses.

Can I change my NAICS Code?

Yes, if the nature of your business changes you can and should change your NAICS Code. However, as we said above, changing your NAICS Code to take advantage of a government program or to get other preferential treatment may be considered fraud.