



Newsletter

November 2022



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Tip of the Month:

Understanding How NAICS Codes Are Used in Federal Contracting

If you registered in SAM, you had to supply one or more North American Industry Classification System (NAICS) codes for your business. And if you've won a federal contract, you've seen the contract classified with a NAICS code.

These six-digit codes are an important part of federal government contracting. However, it's not always clear exactly how they're used by government and industry alike – and that lack of clarity can be costly for contractors. So how, exactly, are NAICS codes used in federal contracting? Let's take a look!

How Does a Contracting Officer Pick a Solicitation's NAICS Code?

Under [Federal Acquisition Regulation \(FAR\) 19.102](#), except in the case of certain multiple-award acquisitions, a Contracting Officer must assign one – and only one – NAICS code to each solicitation, contract, and order.

The Contracting Officer cannot just pick a code at random. Rather, per the FAR, he or she "shall determine the appropriate NAICS code by classifying the product or service being acquired in the one industry that best describes the principal purpose of the supply or service being acquired." While the Contracting Officer may consider several factors, and some element of subjectivity may exist, "a procurement is usually classified according to the component that accounts for the greatest percentage of contract value."

Why Does the Contracting Officer's NAICS Code Choice Matter?

For small business set-asides and solicitations restricted to socioeconomic subcategories of small businesses, such as 8(a) and HUBZone set-asides, the Contracting Officer's NAICS code selection plays a major role in establishing the competitive field. The U.S. Small Business Administration assigns a size standard to each NAICS code. When the Contracting Officer selects the appropriate NAICS code, the corresponding size standard automatically applies to the solicitation. The size standard, in turn, determines which companies are eligible for the contract.

If you're curious about the small business size standards corresponding to each NAICS

code you work under, check out the [Size Standards Table](#) on the SBA's website.

How Do I Determine My Business's Primary NAICS Code?

Contracting Officers aren't the only ones who have to figure out which NAICS code to use. When a contractor registers in SAM, the contractor must identify its primary NAICS code. But how, exactly, do you do that?

Fortunately, there's a place to find the answer: the [NAICS Manual](#). Published by the Census Bureau, the NAICS Manual provides descriptions for each NAICS code to help you pick the right one. It's the same resource Contracting Officers use. If you do business in several NAICS codes and you're unclear which one to choose as your primary, it's wise to have a discussion with your PTAC counselor.

What Other NAICS Codes Should I List in SAM?

Contrary to a very common misconception, an offeror need not list a particular NAICS code in its SAM profile to be awarded a contract designated with that NAICS code. That said, it is a best practice – though not a legal requirement – for a contractor to list every NAICS code that corresponds to work the contractor may bid.

Don't go overboard, though, and list irrelevant NAICS codes – like listing NAICS code 311230 (Breakfast Cereal Manufacturing) if you work exclusively in IT. Listing too many NAICS codes can give Contracting Officers the impression that your business isn't focused on any specific type of work.

What About Subcontracts?

Under the [SBA's regulations](#), an other-than-small prime contractor usually must "assign to each subcontract . . . the NAICS code and corresponding size standard that best describes the principal purpose of the subcontract." In other words, the prime contractor must step into the Contracting Officer's shoes and pick the appropriate NAICS code for each subcontract – and those NAICS codes may or may not be the same as the NAICS code assigned to the prime contract.

If you're in the process of negotiating a subcontract and confused or concerned about what NAICS code to apply, or if you have any other questions about how NAICS codes are used in federal contracting, give your PTAC counselor a call.

PTAC News You Can Use:

The U.S. Small Business Administration has proposed a slate of revisions to its regulations governing the 8(a) Business Development program, joint ventures, affiliation, and more. Several of these changes are intended to make the SBA's regulations more user-friendly, such as by including clearer examples of restrictions on joint ventures and making it easier for small businesses to determine when they might violate the ostensible subcontractor affiliation rule. With respect to the 8(a) Program, the proposed revisions would increase the importance of an 8(a) firm's business development plan by prohibiting a new 8(a) firm from receiving 8(a) contracts until the SBA approves its business plan.

Read the complete proposed rule [here](#) and a summary of some of the more notable changes [here](#). If you would like to learn more about the 8(a) Program or receive assistance with an application, schedule time to talk with your PTAC counselor.

Meet the Buyers - Council Bluffs

Date: Wednesday, 11/16/2022

Time: 8:45 AM - 12:00 PM CT

Format: Holiday Inn Council Bluffs, 2202 River Road, Council Bluffs, Iowa 51501

[Click here to register](#)

This is a free event hosted by the Center for Industrial Research and Service (CIRAS) at the Iowa State University.

Meet the Buyers is an experience where businesses can network and develop relationships with State/Local and Federal government agencies, prime contractors, and other businesses in the government contracting space.

The morning will include short briefings from each agency highlighting how to do business with them followed by an opportunity to network. Use this event to practice your elevator speech, disperse your capability statement and find teaming partners. The event will wrap up with a 30-minute Q&A panel of best practices when marketing to agencies or primes.

Featured Agencies:

- U.S. Army Corps of Engineers: Omaha District
- Iowa Dept. of Administrative Services (DAS)
- Douglas County/City of Omaha, Nebraska
- The University of Nebraska
- Small Business Administration
- Southwest Iowa Planning Council / Southwest Iowa Transit Agency (SWIPCO/SWITA)
- Nebraska Enterprise Fund
- Ponca Economic Development Corporation - Procurement Technical Assistance Center (PEDCO PTAC)
- Iowa Economic Development Authority
- Sioux City Transit System

For more event details, contact Justin Niceswanger at jnice@iastate.edu.

The NICC PTAC team members Mike & Debra will be in attendance with a booth available for Native-owned & tribally owned businesses.

Govology Webinars

*Please use the new code **2202NICC** when registering for Govology webinars*



Department of Defense Mentor-Protégé Program

Date: November 1, 2022

Time: 1:00 pm EDT

Presenter: Mercedes Thurston, Department of Navy Office of Small Business Programs (DON OSBP)

[Click Here to Learn More](#)

How to “Really” Prepare for and Win Federal Contracts



Date: November 3, 2022
Time: 1:00 pm EDT
Presenter: Carroll Bernard, Govology

[Click Here to Learn More](#)



Get Ahead of Your Federal Competition and Learn About Reverse Auctions

Date: November 17, 2022
Time: 1:00 pm EDT
Presenter: Geoff Edwards, Unison Marketplace

[Click Here to Learn More](#)

Recommended Readings:

White House Raises Contract Spending Goals for Small Disadvantaged Businesses

The White House has issued new guidance to procuring agencies, calling for at least 12% of prime contract dollars to be awarded to Small Disadvantaged Businesses in the new fiscal year. The new guidance raises the bar from the previous fiscal year, in which agencies met the White House's 11% SDB goal. The 12% goal is likely to increase again next year as the Administration seeks to achieve a 15% SDB spend by 2025. Read the article [here](#), and see [this article](#) for additional background on the 15% goal.

A Helpful Guide: The VA's Memorandum on the New Certification System

The SBA will take over the certification of service-disabled veteran-owned and veteran-owned small businesses in January 2023, and the certification requirement will expand to include almost all federal agencies, not just the VA. Now the VA has issued a memorandum with helpful guidance about this major pending change and what it means for contractors. Read the article [here](#) and see the original memorandum [here](#).

More Than Ever, Contractors Need a Vehicle Strategy to Capitalize on a Growing Federal Market

Federal contracting spending continues to grow, but so does consolidation, with more and more spending being allocated through large contract vehicles such as GSA's large Government-wide Acquisition Contracts. This article explains what is happening in the federal marketplace and why it's important for many contractors to have a strategy for getting on, and succeeding under, these large contract vehicles. Read the article [here](#).

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