

Developments in NAICS and NAPCS
For Discussion at the BEA Advisory Committee Meeting, 4 November 2005

NAICS

Work proceeded on the 2007 revision to NAICS. The responses to the Federal Register Notice seeking comments on proposed changes in NAICS were reviewed and evaluated. The shape of NAICS 2007 is almost finalized. The only outstanding issue is the treatment of equity Real Estate Investment Trusts (REIT). The National Association of Real Estate Investment Trusts requested that such REITs be moved from the financial sector, Sector 52, to the Real Estate Sector, Sector 53, because such organizations primarily engage in real estate activities associated with leasing. Because such a reclassification would affect the distinction between financial and non-financial firms, BEA sponsored two meetings that were attended by representatives from the Federal Reserve Board, Treasury, IRS, Census, OMB and BLS to discuss this proposal. Though no decision has yet been made by OMB, there are conflicting views among agencies on changing the status of equity REITs. The discussion at these meetings revealed that existing data provide conflicting information and there was general agreement that more data are needed. To that end, BEA has asked the IRS to consider placing check boxes on form 1120-REIT to enable the identification of the two types of REITs. In addition, BEA has been working with Census Bureau staff on the formulation of questions that would be added to the 2007 Economic Census to provide more information.

NAPCS

The main activities have been completing the product lists for all service industries and the joint effort of Census, BEA and BLS to incorporate existing product lists into the 2007 Economic Census forms. This project was initiated by the Census Bureau and focused on using the NAPCS lists as a replacement for the revenue lines currently on the Census forms. Census forms for 375 industries (at the NAICS 5 or 6 digit level) were reviewed. Because the revenue lines in many cases were more detailed than the associated NAPCS products, there has been considerable negotiation between BEA and Census on what should be included. On the whole, the effort has gone very well, and BEA will receive most of the detail that it needs for the input-output tables.

There is still some discussion about the structure of NAPCS. BEA would prefer that NAPCS remain at a fairly disaggregate level; the creation of building blocks that could be used by others to form a variety of more aggregate structures. Others would prefer the development of a hierarchical structure. The official position of the Economic Policy Classification Committee (EPC) is that the US will develop a reference product structure though the level of aggregation has not been decided upon. The idea is that agencies could use this reference structure as a guide for their product structures.

