



## Mitigation and destination-based sales tax

# NAICS codes included in annual loss

### What is NAICS?

NAICS stands for North American Industry Classification System.

Each business is assigned a NAICS code when it registers with the Department of Revenue. The code is assigned based on the primary activity of the business and can change over the life of the business.

### Uses of NAICS

The Department of Revenue will compare sales patterns in each jurisdiction for each affected business before and after the change to destination sourcing to determine mitigation. For the comparison, the Department will exclude businesses that, based on their NAICS code, should not be affected by the change to destination sourcing. The remaining businesses will form the basis for the mitigation calculation.

The process of NAICS selection has the following implications:

- The amount of mitigation to local governments may be lower if NAICS that should be included are left out
- The amount of mitigation to local governments may be overstated if NAICS for businesses that already source to the destination, such as construction businesses, are included
- Including more NAICS than are needed would cause an inefficient use of time that could be used to improve other aspects of the mitigation model

### NAICS codes to be used

The Department of Revenue and the SST Mitigation Advisory Committee decided to use NAICS that were used in the [2004 Sourcing Study II](#).

### NAICS Title

321	Manufacturing of Wood Products
3222	Converted Paper Product Mfg
334	Computer & Electronic Product Mfg
339	Misc Mfg
323	Printing & Related Support Activities
337	Furniture & Related Product Mfg
212	Mining
327	Nonmetallic Mineral Product Mfg
493	Warehouse & Storage
441	Motor Vehicle & Parts Dealers
442	Furniture & Home Furnishings Stores
443	Electronics & Appliance Stores
444	Bldg Material/Garden Equip/Supplies Dealers
445	Food & Beverage Stores
446	Health & Personal Care Stores
447	Gasoline Stations
448	Clothing & Clothing Accessories Stores
451	Sporting Goods, Hobby, Book & Music Stores
452	General Merchandise Stores
453	Misc Store Retailers
45321	Office Supplies & Stationary Stores
454	Nonstore Retailers
42	Wholesale Trade
722	Food Services & Drinking