



**STATE OF VERMONT**  
**JOINT FISCAL OFFICE**

**MEMORANDUM**

To: Members of the Joint Fiscal Committee  
From: Graham Campbell and Joyce Manchester  
Date: November 15, 2020  
Subject: Business Types Included in NAICS Code 72

On November 14, the Joint Fiscal Committee approved an additional \$75 million in Coronavirus Relief Funds (CRF) for Economic Recovery Grants administered by the Agency of Commerce and Community Development (ACCD) and the Department of Taxes on the condition that the funds be used to meet the full unmet need of businesses in the hospitality sector as a first priority. The Administration stated that the way this would be achieved would be to provide 100% of the capped net unmet need to businesses that classified themselves as an Accommodation and Food Services business using the North American Industry Classification System (NAICS) Code 72.

NAICS Code 72, the Accommodation and Food Services sector, covers a wide variety of lodging establishments, caterers, bars, and restaurants. The Table on the following page shows the various categories.

In response to the Committee's interest in the wedding venue and wedding planner arena, the Table also shows detailed listings of the types of businesses included in NAICS Code 72 under the subcategory, "Miscellaneous Personal Services, Not Elsewhere Classified." That subcategory includes facility rental and party planning services as well as private wedding chapels or wedding consultants.

<b>Businesses in NAICS Code 72: Accommodation and Food Services</b>	
<b>7211</b>	<b>Traveler Accommodation</b>
721110	Hotels (except Casino Hotels) and Motels
721120	Casino Hotels
721191	Bed-and-Breakfast Inns
721199	All Other Traveler Accommodation
<b>7212</b>	<b>RV (Recreational Vehicle) Parks and Recreational Camps</b>
721211	RV (Recreational Vehicle) Parks and Campgrounds
721214	Recreational and Vacation Camps (except Campgrounds)
<b>7213</b>	<b>Rooming and Boarding Houses, Dormitories, and Workers' Camps</b>
721310	Rooming and Boarding Houses, Dormitories, and Workers' Camps
<b>7223</b>	<b>Special Food Services</b>
722310	Food Service Contractors
722320	Caterers
722330	Mobile Food Services
<b>7224</b>	<b>Drinking Places (Alcoholic Beverages)</b>
722410	Drinking Places (Alcoholic Beverages)
<b>7225</b>	<b>Restaurants and Other Eating Places</b>
722511	Full-Service Restaurants
722513	Limited-Service Restaurants
722514	Cafeterias, Grill Buffets, and Buffets
722515	Snack and Nonalcoholic Beverage Bars
<b>7299</b>	<b>Miscellaneous Personal Services, Not Elsewhere Classified</b>
729905	Facility rental and party planning services
72990500	Facility rental and party planning services
72990501	Banquet hall facilities
72990502	Party planning service
72990503	Wedding chapel, privately operated
72990504	Wedding consultant

Allocating funds using the applicant's stated NAICS code is a practical way to channel money to the hospitality sector, but there are some potential drawbacks to this methodology which the committee discussed – as would be the case with any method chosen:

- The NAICS code listed by businesses on their application is self-reported and the owner's best guess of the industry under which they should be classified. However, many business owners, without full knowledge of the NAICS, misclassify themselves. Several tax forms<sup>1</sup> require a business to classify itself using NAICS codes. In the past, the Department of Taxes has rarely used this information for research purposes because the data is unreliable.
- Many Arts, Entertainment and Recreation businesses (NAICS 71) also perform Accommodation and Food Services functions (NAICS 72). The Arts, Entertainment, and Recreation sector includes a wide range of establishments that operate facilities or provide services to meet cultural, entertainment, and recreational interests of their patrons. A business that classified itself using NAICS code 71 would not be eligible for 100% of the capped net unmet need. However, that business would receive an increase from what it would have received without the additional allotment of CRF money.
- During the meeting, ACCD stated that they would allow some businesses to “correct” their stated NAICS code if they believe they misclassified themselves. This could put ACCD in the difficult position of determining whether a business belongs under NAICS code 72 or not. For example, if an art gallery earns half of its business hosting wedding receptions, it could reasonably be classified as NAICS code 71 (Arts, Entertainment, and Recreation) or 72 because wedding venues count as an Accommodation and Food Services business. ACCD would be forced to make that decision.
- In creating a process for applicants who ask to change the classification on their recovery grant application, ACCD will find an alternate method for establishing proper classification and may require additional documentation from the applicant to understand which components of the business comprise most of the revenues for the operation. In the interim, ACCD will post on its website the list of codes and the process for applicants' requests.

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<sup>1</sup> For example, line B of Schedule C for sole proprietors requires inputting NAICS codes.