

**SUPPORTING STATEMENT**  
**U.S. Department of Commerce**  
**U.S. Census Bureau**  
**Business and Professional Classification Report**  
**OMB Control Number 0607-0189**

Part A. JUSTIFICATION

1. Necessity of Information Collection

The Economic Census and current business surveys represent the primary source of facts about the structure and function of the U.S. economy, providing essential information to government and the business community in making sound decisions. This information helps build the foundation for the calculation of Gross Domestic Product (GDP) and other economic indicators. Crucial to its success is the accuracy and reliability of the Business Register data, which provides the Economic Census and current business surveys with their establishment lists.

Critical to the quality of data in the Business Register is that establishments are assigned an accurate economic classification, based on the North American Industry Classification System (NAICS). The primary purpose of the “Business and Professional Classification Report” or SQ-CLASS(00), is to meet this need for the services sector of the economy (see Attachment 1). The services sector includes establishments classified in retail trade; wholesale trade; finance and insurance; real estate and rental and leasing; transportation and utilities; and other services-related industries. Establishments will be mailed five-year Economic Census forms specifically tailored to their industry based on the classification information we collect from the SQ-CLASS survey. In addition, the SQ-CLASS report is used to collect information needed to update the services sector sampling frame.

To keep current with rapid changes in the marketplace caused by businesses births, deaths, and changes in company organization, the Census Bureau samples establishments with newly assigned Employer Identification Numbers (EINs) obtained from the Internal Revenue Service (IRS) and the Social Security Administration (SSA). Each EIN unit can only be selected once for the survey. EIN units selected for the sample are asked to provide data on the establishment(s) associated with the new EIN. The completed SQ-CLASS form provides sales, receipts, or revenue data; company organization status; new or refined NAICS codes; and other key information needed to maintain proper coverage of the business universe.

Based on information collected on the SQ-CLASS form, EIN units meeting the criteria for inclusion in the Census Bureau’s current services sector surveys are eligible for a second phase of sampling. The retail and wholesale EIN units selected in this second sampling are placed on a panel to report on monthly surveys. Additional selected units are included on a panel to report on annual surveys. The other selected services sector EIN units report on an annual and/or quarterly basis.

There are minimal changes to the SQ-CLASS form. An inquiry will be added to determine not-for-profit status, which will be used for data collection purposes. This will ensure that the proper current survey form is sent to the business if it is selected into a survey. Minimal changes will be made to the wording and organization of existing questions and instructions. Also, for the first time, respondents will have the option to respond electronically via the Internet.

This survey is conducted under Title 13, United States Code, Sections 182 and 193. Section 193 provides the specific authority to collect supplementary statistics related to the conduct of the census on a mandatory basis.

## 2. Needs and Uses

The Census Bureau selects a first phase sample of EINs recently assigned by the IRS. Selected EIN units are mailed a SQ-CLASS form to determine measure of size (based on sales, receipts, or revenue); industry classification; company organization; wholesale inventories and type of operation data; not-for-profit status; and other useful information. EIN units not affiliated with previously selected units are eligible for second phase sampling, with selected sampling units added to a survey panel. This methodology updates the current surveys' sampling frame with a sample of new firms entering the services sector. The information obtained from the SQ-CLASS form is also used in tabulating data for small businesses in succeeding economic censuses (because small businesses are not mailed an economic census report form), and for the Census Bureau's County Business Patterns program, which is conducted on an annual basis.

Although no statistical tables are prepared or published, the operations of this business birth survey directly and critically affect the quality of the estimates published for the Advance Monthly Retail Trade and Food Services Survey (OMB Approval 0607-0104); Monthly Wholesale Trade Survey (OMB 0607-0190); Services Annual Survey (OMB Approval 0607-0422); Annual Retail Trade Survey (OMB Approval 0607-0013); Annual Wholesale Trade Survey (OMB Approval 0607-0195); and Quarterly Service Survey (OMB Approval 0607-0907), since this business birth survey keeps the sample universe current.

Information quality is an integral part of the pre-dissemination review of the information disseminated by the Census Bureau (fully described in the Census Bureau's Information Quality Guidelines). Information quality is also integral to the information collections conducted by the Census Bureau, and is incorporated into the clearance process required by the Paperwork Reduction Act.

## 3. Uses of Information Technology

The Census Bureau permits electronic submission of responses. Responding via the Internet provides companies with a convenient, alternative reporting method and reduces respondent burden. A cover letter and an insert will be included in the mail-out package

with instructions for reporting online (see Attachments 2 and 3). In addition, companies can report electronically using facsimile technology. A facsimile machine gives respondents the capability to fax data to our collection facility in Jeffersonville, Indiana. Responding via fax expedites our receipt of questionnaires. Businesses may also respond by mail.

An automated system for check-in of returned forms and the use of fax during telephone follow-up allow for more timely identification of completed questionnaires. Also during telephone follow-up, staff will use an automated system to take the data over the telephone.

#### 4. Efforts to Identify Duplication

The Census Bureau uses newly assigned EINs provided quarterly by the IRS, and available NAICS codes assigned to these births from the SSA. The SQ-CLASS survey collects information for a second phase of sampling; specifically, measure of sales size, type of operation, company organization, wholesale inventories, not-for-profit status, and a new or more detailed NAICS code. This information is not available elsewhere in the early time frame needed for new birth EIN units; therefore, this survey does not duplicate the operations of any other sources.

The Census Bureau regularly obtains NAICS codes from the Business Establishment List (BEL) of the Bureau of Labor Statistics (BLS), in order to update EIN units in the Business Register that do not have NAICS codes from any other source. However, we have found that most of the key items needed for birth sampling are not available.

For business birth sampling, the Census Bureau uses all data sources available which can provide necessary data to keep the monthly and annual business surveys current. Key sources are the IRS payroll files; the IRS Business Master File (BMF) for name, address, and tax filing requirements; and the SSA for industrial classification (NAICS). If additional alternative sources become available, the business birth sampling program will use that data in order to avoid duplication.

#### 5. Minimizing Burden

The SQ-CLASS form is sent to a small sample of new business over the course of the year with each EIN unit completing the form on a one-time basis. The birth sample is stratified to ensure that the smaller the firm, the less likely its chance of selection. Firms are not required to maintain additional records. The data requested are the type generally carried on existing company records, and carefully prepared estimates are acceptable if book figures are not available. Respondents are permitted 30 days to return their completed questionnaire. Respondents will also have the opportunity to report electronically.

#### 6. Consequences of Less Frequent Data Collection

The sales, receipts, and inventory estimates published in the Census Bureau's monthly and annual retail and wholesale surveys, and quarterly and annual service surveys are used extensively by government and private economists to evaluate current economic conditions and in developing economic, fiscal, and monetary policies. They are important economic indicators, which provide timely input to the Bureau of Economic Analysis' (BEA) computations of national accounts. To produce reliable estimates, representation of business births in these surveys is critical. Due to the rapid changes in the marketplace caused by the emergence of new businesses, the death of others, and changes in company organization, timely coverage of business births increases reliability and timeliness of the data.

#### 7. Special Circumstances

There are no special circumstances. All the guidelines for information collection are met.

#### 8. Consultation Outside the Agency

There were no consultations with other agencies for this form. The primary users of our data are the survey programs within the Census Bureau listed under Question 2. We published a notice in the Federal Register (Vol. 75, No. 79, pgs. 21592-21593) on April 26, 2010 informing the public of our plans to submit this request. We received a letter in support of the SQ-CLASS survey from the Bureau of Economic Analysis (BEA). No additional comments were received.

#### 9. Paying Respondents

We do not pay respondents or compensate them in any way.

#### 10. Assurance of Confidentiality

Data collected in this survey is confidential under the authority of an Act of Congress, Title 13, United States Code, Section 9. Only persons sworn to uphold the confidentiality of the U.S. Census Bureau information may see the questionnaires and may use them for statistical purposes only. Additionally, all reports are immune from legal process. A letter accompanying each report form advises respondents of this, in addition to informing the respondent that participation in this survey is mandatory (see Attachment 2).

#### 11. Justification for Sensitive Questions

No sensitive questions are asked.

#### 12. Estimate of Hour Burden

Annually, there are approximately 67,000 respondents, who report one time on the survey. According to responses given by a sample of respondents, an average of thirteen

minutes is needed to complete the form. This results in an estimated annual response burden of 14,519 hours.

Number of Respondents	Frequency of Response	Annual Responses Per Respondent	Burden Per Response (hours)	Total Annual Response Burden (hours)
67,000	1	1	.2167	14,519

The cost to the respondent for fiscal year 2011 is estimated to be \$414,808 based on the median hourly salary of \$28.57 for accountants and auditors. (Occupational Employment Statistics- Bureau of Labor Statistics May 2008 National Occupational Employment Statistics Survey, [http://www.bls.gov/oes/current/oes\\_nat.htm](http://www.bls.gov/oes/current/oes_nat.htm))

### 13. Estimate of Cost Burden

We do not expect respondents to incur any costs other than that of time to respond. The information requested is of the type and scope normally carried on company records, and no special hardware or accounting software or system is necessary to provide answers to this information collection. Therefore, respondents are not expected to incur any capital and start-up costs or system maintenance costs in responding. Further, purchasing of outside accounting or information collection services, if performed by the respondent, is part of usual and customary business practices, and is not specifically required for this information collection.

### 14. Cost to Federal Government

The total cost to the federal government for the birth processing in fiscal year 2011 is projected to be \$750,000 (all borne by the Census Bureau).

### 15. Reason for Change in Burden

There is no change in burden.

### 16. Project Schedule

Report forms are mailed to respondents selected in first phase sampling at the beginning of the 2<sup>nd</sup> month of each calendar quarter, with a completion date within 30 days after receipt. Delinquent telephone follow-up processing runs for approximately six weeks.

Beginning the second week after initial mail-out, the National Processing Center (NPC) staff starts keying the completed forms and updating the Business Register. This processing lasts through delinquent telephone follow-up. Cases are then subjected to a second phase sampling process. All cases selected in the second phase are included in a monthly, quarterly, or annual survey.

### 17. Request to Not Display Expiration Date

We will display the expiration date on the information collection form(s).

18. Exceptions to the Certification

There are no exceptions.