

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 important measures of the economy. Crucial to the success of the surveys and the economic census conducted by the Census Bureau is the accuracy and reliability of the Business Register. The Business Register (BR) is a multi-relational database that contains a record for each known establishment that is located in the United States or one of its territories. This database serves as the primary source for constructing sampling frames for the economic census and current business surveys.

The BR is used to identify the set of statistical units that represents an economic data collection's target population, which is defined by a specific reference period and scope. Critical to the quality of information housed in the BR is that each of the statistical units has an accurate industry classification, measure of size, activity status, and physical address assigned to it. Furthermore, linkages between the different types of statistical units, such as companies, establishments, and Employer Identification Numbers (EINs) must be accurately maintained over time. The primary purpose of the Business and Professional Classification Report (SQ-CLASS report) is to meet these needs for the retail trade, wholesale trade, and services portions of the economy as defined by the North American Industry Classification System (NAICS). The data collected by the SQ-CLASS report are used to update the current business surveys to reflect newly opened establishments. Additionally, establishments in the five-year economic census will receive data collection instruments specifically tailored to their industry based on the classification information obtained by the SQ-CLASS report.

To keep current with rapid changes in the marketplace caused by new businesses (a.k.a. births) the Census Bureau samples newly assigned Employer Identification Numbers (EINs) obtained from the Internal Revenue Service (IRS). Each EIN can only be selected once for the SQ-CLASS report. EINs selected for the SQ-CLASS sample are asked to provide data about the establishment(s) associated with the new EIN including a more reliable measure of size, consisting of sales in two recent months, company affiliation information, a new or more detailed industry classification code, and other key information needed to maintain proper coverage of the business universe on the BR for the current business surveys.

Based on information collected on the SQ-CLASS form, EINs meeting the criteria for inclusion in the Census Bureau's current business surveys are eligible for a second phase of sampling. The retail and wholesale EINs selected in this second sampling are asked to report annually on the annual retail, wholesale, and service surveys. A subsample of the retail and wholesale EINs are also asked to report monthly on the monthly retail and wholesale surveys. Similarly, a subsample of the service EINs are asked to report quarterly on the Quarterly Services Survey.

There are few changes since the last request was submitted for OMB clearance in 2010. Most of the changes to the questionnaire are aesthetic. The questionnaire has been redeveloped using the Census Bureau's standard questionnaire design software. This gives it a very similar look and feel when compared to collection instruments for other Census Bureau economic surveys and the economic census. Some changes were made to the wording and organization of existing questions and instructions to ensure consistency across the economic surveys and/or the economic census. Additionally, the sample size has decreased from the previous OMB submission. See Question 15 below for the explanation.

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

Although no statistical tables are prepared or published, the outputs of the SQ-CLASS report 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), because the SQ-CLASS report is used to reflect newly opened businesses in the samples for these surveys.

The information obtained from the SQ-CLASS report is also used in tabulating data for small businesses in succeeding economic censuses (because many 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.

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 offers and encourages electronic submission of responses via the Internet by using its Centurion software. Responding via the Internet provides companies with a convenient reporting method and reduces respondent burden. This method of data collection also reduces the amount of data that has to be keyed; therefore, reducing data capture costs. No additional software is needed by the respondent. In addition, all data submitted through Centurion are encrypted. A cover letter and an insert are included in the mailing package with instructions for reporting online (see Attachments 2, 3, and 4).

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 use an automated system to obtain and capture the data during the telephone call.

4. Efforts to Identify Duplication

The Census Bureau uses newly assigned EINs provided quarterly by the IRS, and available NAICS codes assigned to these EINs from the Social Security Administration (SSA). The SQ-CLASS report collects information needed 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 EINs; 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 EINs 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 completing the form on a one-time basis. The birth sample is

stratified to ensure that the smaller EINs (in terms of expected quarterly payroll) are less likely to be selected.

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 more accurate “book” figures are not available. Respondents are permitted 30 days to return their completed questionnaire. Respondents 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, firms that cease operations, and changes in company organization, timely coverage of business births increases the reliability of the survey estimates.

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. 78, No. 82, pgs. 25059-25060) on April 29, 2013 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

The Census Bureau does not pay respondents nor compensate them in any way.

10. Assurance of Confidentiality

Data collected in this survey are confidential under the authority of an Act of Congress, Title 13, United States Code, Section 9, which states that, only persons sworn to uphold the confidentiality of the Census Bureau information may see the questionnaires and may use them for only for statistical purposes. 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 52,000 respondents (assuming 100% response), who report one time on the survey. According to information provided by a sample of respondents, an average of thirteen minutes is needed to complete the SQ-CLASS report. This results in an estimated annual response burden of 11,267 hours.

Number of Respondents	Frequency of Response	Annual Responses Per Respondent	Burden Per Response (hours)	Total Annual Response Burden (hours)
52,000	1	1	.2167	11,267

The cost to respondents for fiscal year 2014 is estimated to be \$384,768 based on the median hourly salary of \$34.15 for accountants and auditors. (Occupational Employment Statistics- Bureau of Labor Statistics May 2012 National Occupational Employment Statistics Survey, 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 their 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 or 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 annual cost to the federal government for conducting the operations for the SQ-CLASS report is \$750,000 (all borne by the Census Bureau).

15. Reason for Change in Burden

With the availability of more complete and timely administrative data and the updates to the sampling parameters, fewer EINs are being sampled. Therefore, the annual burden hours for this request have decreased approximately 3,252 hours from the previous submission in 2010.

16. Project Schedule

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

Beginning the second week after initial mail-out, 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 business survey.

17. Request to Not Display Expiration Date

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

18. Exceptions to the Certification

There are no exceptions.