

**SUPPORTING STATEMENT**  
**U.S. Department of Commerce**  
**U.S. Census Bureau**  
**Business and Professional Classification Report**  
**OMB Control No. 0607-0189**

**PART A. JUSTIFICATION**

**1. Necessity of Information Collection**

This request is for continued clearance of the Business and Professional Classification Report (SQ-CLASS). The SQ-CLASS report covers employer firms with establishments located in the United States. These firms can be classified in all sectors covered by the Economic Census as defined by the North American Industry Classification System (NAICS). The SQ-CLASS report requests firms to designate their type of business activity, two months of sales or receipts, principle lines of merchandise, whether the firm is owned or owns another establishment, not-for-profit status, wholesale type of operation, inventories, and method of selling for retail and wholesale firms.

The data collected by the SQ-CLASS report are used to update the current business surveys to reflect newly opened establishments. Additionally, establishments sampled during the Economic Census will receive a data collection instrument 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 business births, deaths, and changes in company organization 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. Based on information collected on the SQ-CLASS report, EINs meeting the criteria for inclusion in the Census Bureau's current business surveys are eligible for a second phase of sampling. The EINs selected in this second phase of 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 on the monthly retail and wholesale surveys. Similarly, a subsample of the service EINs are asked to report on the Quarterly Services Survey.

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 are the accuracy and reliability of the Business Register (BR) data, which provides the Economic Census and current business surveys with their establishment lists. 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. The vital information obtained from the SQ-CLASS report is fed back to the BR to represent changes in industries and confirm coverage between the years of the Economic Census.

We are proposing one major change to the collection. The change will be the way the respondent reports their type of business activity. Currently respondents choose the economic sector of their business and then provide a brief description of their business activity. Instead of providing this description, respondents will select their type of business from a list of business activities based on their response to the question about their economic sector. If the respondent does not see their business activity listed, then they will provide a brief description of their business activity. This is the same methodology that the Census Bureau uses in the Economic Census to assign industry classification.

The Census Bureau conducts this survey under the authority of an Act of Congress, Title 13, U.S.C., sections 131, 182, and 193. Section 131 defines the Secretary of Commerce's (secretary) authority to take, compile, and publish the Economic Census. Section 182 provides authority for the Secretary to make surveys deemed necessary to furnish annual and other interim current data on the subjects covered by the Census. Section 193 provides the specific authority to collect supplementary statistics related to the Economic Census. This collection is made mandatory under the provisions of Title 13 U.S.C., Sections 224 and 225.

The SQ-CLASS Survey is used to supplement the other economic surveys at the Census Bureau with business births. At the end of each SQ-CLASS processing quarter, a sample of business births is added to the other economic surveys. The Census Bureau needs to obtain the proper industry classification and a measure of size to be able to properly supplement these other surveys with these births. By including these businesses in the SQ-CLASS survey, we are attempting to assign the proper classification to these establishments to ensure that the correct Economic Census questionnaire is mailed to the business. Certain Economic Census questions are tailored by the industry classification. Data are also used for the Census Bureau's County Business Patterns program, which is conducted on an annual 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 following

surveys:

- Advance Monthly Retail Trade and Food Services Survey (OMB No. 0607-0104)
- Monthly Wholesale Trade Survey (OMB No. 0607-0190)
- Services Annual Survey (OMB No. 0607-0422)
- Annual Retail Trade Survey (OMB No. 0607-0013)
- Annual Wholesale Trade Survey (OMB No. 0607-0195)
- Quarterly Service Survey (OMB No. 0607-0907).

The SQ-CLASS report keeps the sample universe current for the above-mentioned surveys by a process known as second phase 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 EIN units report on an annual and/or quarterly basis in the survey for which they are selected. Timely coverage of business births by the SQ-CLASS report increases the reliability and relevance of the data for these surveys.

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. Use of Information Technology**

The use of the Census Bureau's online reporting system, Centurion, allows respondents to report data, at their convenience, via the Internet. The system is designed to be secure and flexible for users with no additional software needed by the respondent. It allows respondents to complete and file in one session or to save and return over any number of sessions. The site also allows respondents to print copies of their completed form for their records. The use of Internet reporting has proven popular, and has become a preferred method of filing reports by respondents. However, we will work with respondents if reporting on the Internet presents difficulty. We expect that 100% of respondents will reply electronically.

### **4. Efforts to Identify Duplication**

The Census Bureau uses newly assigned EINs provided quarterly by the IRS to take a sample for this survey and, if available, the NAICS codes assigned to these births from the SSA. However, the SQ-CLASS report collects additional information needed for a second phase of sampling for those EIN units that will be added to the current business surveys. 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 other sources.

The Census Bureau regularly obtains NAICS codes from the Business Establishment List (BEL) maintained by 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 that 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 report is sent to a small sample of new businesses over the course of the year with each business completing the form on a one-time basis. Firms are not required to maintain additional records. The data requested are the type generally carried on existing company records, and estimates are acceptable if book figures are not available. Respondents are permitted 30 days to complete the SQ-CLASS report.

While respondents are asked to return their data via the Internet, any data prepared and returned on a company's own form is accepted. Respondents are also allowed to provide data via fax or directly over the phone.

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

The collection is completed only once by new businesses. The sales, receipts, and inventory estimates published in the list of surveys mentioned in Question 2 are used extensively by government and private economists to evaluate current economic conditions and in developing economic, fiscal, and monetary policies.

Less frequent data collection of this data would result in less representation of business births in the above mentioned surveys. To produce reliable estimates, representation of business births in these surveys is critical to explain new economic trends and ensure up-to-date, reliable data for economic indicators. These economic indicators provide timely input to the Bureau of Economic Analysis' (BEA) computations of national accounts.

7. **Special Circumstances**

There are no special circumstances.

8. **Consultations Outside the Agency**

The Census Bureau issued a pre-submission notice published in the Federal Register dated July 8, 2015 located in Vol.80, No. 130, on page 39,052.

We received a letter in support of the SQ-CLASS survey from the Bureau of Economic Analysis (BEA). BEA cited the importance of replenishing the Census Bureau's current surveys with properly classified businesses births. No additional comments were received.

**9. Paying Respondents**

We do not provide any payment or gift to respondents.

**10. Assurance of Confidentiality**

Data collected in this survey are maintained in strictest confidence under the authority of an Act of Congress, Title 13, United States Code, Section 9, which states that data collected on our report forms (Attachment 2) may be seen only by persons sworn to uphold the confidentiality of Census Bureau information and may be used for statistical purposes only. Additionally, all reports are immune from legal process. This assurance of confidentiality is conveyed to the respondent directly in each SQ-CLASS letter requesting a response and informs the respondent that this survey is required by law.

In addition, all respondents' Federal Tax Information (FTI) is protected under the authority of an Act of Congress, Title 26 U.S.C. Section 6103 (j) (1) which provides for the disclosure of FTI to the Census Bureau for statistical purposes in the structuring of censuses and national economic accounts, as well as for conducting related statistical activities authorized by law. Section 6103 (p) (4) places specific requirements on the Census Bureau and other agencies to which Internal Revenue Service has disclosed data regarding the safeguarding of returns and return information.

**11. Justification for Sensitive Questions**

The SQ-CLASS report does not contain questions of a sensitive nature. It requests only data for company totals. Under routine accounting practices, these data are normally maintained in the firm's records.

**12. Estimate of Hour Burden**

In our experience of administering the SQ-CLASS survey, we estimate an average of 13 minutes to complete the survey. Annually, there are approximately 52,000 respondents.

Each respondent reports one time on the survey. The estimated burden is approximately 11,267 hours.

The estimated total annual cost to respondents is approximately \$399,077. This is based on the average response burden of 11,267 hours at approximately \$35.42 per hour for accountants and auditors (Occupational Employment Statistics - Bureau of Labor Statistics May 2014 National Occupational Employment and Wages Statistics). <http://stats.bls.gov/oes/2014/may/oes132011.htm>

**13. Estimate of Cost Burden**

We do not expect respondents to incur any costs other than that of their time to respond. The information requested is of the type and scope normally carried in 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. Furthermore, purchasing of outside accounting or information collection services, if performed by the respondent, is part of usual and customary business practices and 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). This includes costs for data collection, processing the responses and support staff to assist respondents and to conduct telephone follow up for nonresponse. This cost will remain relatively fixed over the upcoming three years.

**15. Reason for Change in Burden**

There is no change in burden.

**16. Project Schedule**

Initial letters are mailed once to respondents selected in first phase sampling at the beginning of each quarter. At least 30 business days are provided for companies to complete the survey. Follow-up letters are mailed as a reminder to respondents to complete the survey. Delinquent telephone follow-up processing runs for approximately six weeks.

Any data that comes in through the Centurion electronic collection process are automatically relayed in preparation to update the Business Register. Cases are then

subjected to a second phase sampling process. All cases selected in the second phase are included in one of the monthly, quarterly, or annual surveys referenced previously.

This entire process is repeated each quarter at the beginning of February, May, August, and November.

**17. Request to Not Display Expiration Date**

We wish to continue to display the expiration date.

**18. Exceptions to the Certification**

There are no exceptions to the certification statement.