

SUPPORTING STATEMENT
U.S. Department of Commerce
U.S. Census Bureau
2017 Economic Census Industry Classification Report
OMB Control Number 0607-XXXX

Part A. JUSTIFICATION

1. Necessity of Information Collection

This request is for the clearance of the 2017 Economic Census Industry Classification Report. 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 “2017 Economic Census Industry Classification Report” is to meet this need.

New businesses are assigned NAICS codes by the Social Security Administration (SSA); however, many of these businesses cannot be assigned detailed NAICS codes, because insufficient data are provided by respondents on the Internal Revenue Service (IRS) Form SS-4. This report, conducted in fiscal years 2017 and 2018, will mail approximately 125,000 businesses per year that have been partially classified in the economic sectors covered in the Economic Census. Businesses selected for the sample will be asked to provide data on primary business activity in order to assign proper industry classification, thus maintaining proper coverage of the business universe.

The Industry Classification Report questions are shown in Attachment 3. The activities listed in the Principal Business or Activity question of the questionnaire will vary based upon the partial NAICS code of the establishment at the time of mail out. An example of activities listed under this item is included under the question.

The Census Bureau conducts the 2017 Economic Census Industry Classification Report under the authority of an Act of Congress, Title 13, U.S.C., sections 131 and 193. Section 131 defines the Secretary of Commerce’s (secretary) authority to take, compile, and publish the Economic 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.

2. Needs and Uses

The Industry Classification Report will be used to update the classification codes contained in the Business Register, ensuring establishments will be tabulated in the correct detailed industry for the 2017 Economic Census and in succeeding economic surveys. Information obtained from these establishments will also be included in the Census Bureau's County Business Patterns (CBP) publications. CBP publications provide annual data on establishment counts, employment, and payroll for all sectors of the economy at national, state, and county levels. The failure to collect this information will have an adverse effect on the quality and usefulness of economic statistics provided by the Census Bureau.

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 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. While this will reduce the number of unclassified units in the Business Register, many businesses will remain unclassified or only partially classified. This survey is the only source of detailed classification information for these businesses.

5. Minimizing Burden

The use of administrative records of the IRS, SSA, and BLS to assign industry classification codes reduces the number of businesses surveyed and minimizes the overall burden of the information collection. In addition to administrative records, a name coding procedure will be used to further reduce the number of questionnaires and resulting burden. Respondents are permitted thirty days to return their completed questionnaire.

This information collection only addresses units whose complete classification cannot be resolved through the use of administrative records.

Because the Industry Classification Report is primarily mailed to small employers, a limited number of inquires are included in order to minimize burden. Inquires contained on the form are primarily used to obtain accurate industry classification codes and physical location information. Administrative records are used to obtain other items, such as sales and employment data. The exclusion of these businesses would cause the Economic Censuses to under represent the impact of small firms in economic summaries, area reports, and sampling frames for current surveys.

6. Consequences of Less Frequent Data Collection

Information collected on the Industry Classification Report improves the quality of the Business Register. If this information collection were conducted less frequently, it would diminish the timeliness and usefulness of the statistics produced and the quality of the Business Register. This would cause a corresponding deterioration in the national accounts, input-output tables, economic indexes, business surveys, and other measures that rely on source data and benchmarks from the Economic Census.

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. Data collected is primarily used for the 2017 Economic Census. We published a notice in the Federal Register (Vol. 81, No. 37, pgs. 9424-9425) on February 25, 2016 informing the public of our plans to submit this request. No 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 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 3) 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 Industry Classification Report letter requesting a response. The letter also 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

No sensitive questions are asked.

12. Estimate of Hour Burden

Based on our experience of administering surveys similar to the Industry Classification Report, we estimate an average of 7 minutes to complete the survey. Annually, there are approximately 125,000 respondents. The estimated total annual burden is approximately 14,583 hours.

The estimated total annual cost to respondents is approximately \$527,759. This is based on the annual response burden of 14,583 hours at approximately \$36.19 per hour for accountants and auditors (Occupational Employment Statistics - Bureau of Labor Statistics May 2015 National Occupational Employment and Wages Statistics).

<http://stats.bls.gov/oes/2015/may/oes132011.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 this work is included in the total cost of the 2017 Economic Census, reported to be \$657,900,000 (all borne by the Census Bureau).

15. Reason for Change in Burden

This collection is being submitted as new.

16. Project Schedule

In November 2016, the Census Bureau will mail letters instructing the respondent to go online to report for this information collection. Responses will be due by December 14, 2016. Mail follow-up for nonrespondents will begin in December 2016. Follow-up activities will continue until the close-out for data collection operations in July 2017. The updated classification information will be merged into the Business Register to provide the codes needed to mail the 2017 Economic Census.

Timetable for the Industry Classification Report (2016) of the 2017 Economic Census:

Activity	Start¹	End¹
Extract mailing list from Business Register	10/16	10/16
Prepare mailing pieces	10/16	11/16
Mail letters	11/16	2/17
Non-response follow-up	12/16	7/17
Close out	4/17	7/17

¹All dates are approximate.

In October 2017 -- the same time as the mailout for the Economic Census -- the Census Bureau will mail additional letters requesting response from a separate sample of small businesses and new business births that will have taken place since the initial mailout of the Industry Classification Report. Responses will be due in December 2017.

Follow-up activities will begin in December 2017 and continue until closeout in September 2018. The updated classification information will be used for tabulation of Census statistics and estimation of the non-mail portion of the universe.

Timetable for the Industry Classification Report (2017) of the 2017 Economic Census:

Activity	Start¹	End¹
Extract mailing list from Business Register	9/17	9/17
Prepare mailing pieces	9/17	10/17
Mail letters	10/17	2/18
Non-response follow-up	12/17	9/18
Close out	4/18	9/18

¹All dates are approximate.

17. Request to Not Display Expiration Date

We will display the expiration date on the information collection instrument.

18. Exceptions to the Certification

There are no exceptions.