

**Department of Commerce  
U.S. Census Bureau  
OMB Information Collection Request  
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 primary purpose of SQ-CLASS Report is to meet the ongoing sample needs of the Census Bureau's various surveys of the retail trade, wholesale trade, and services portions of the economy (our current business surveys) as defined by the North American Industry Classification System (NAICS). The data collected by the SQ-CLASS report are used to update the samples in our 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 Business Register (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 in the quarterly and annual services surveys.

The Economic Census and the 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 BR data, which provides the Economic Census and current business surveys with their establishment lists. 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 not proposing any major changes to the collection. Minimal changes are being made to the economic activity descriptions in the primary business activity question on the SQ-CLASS report. These changes include providing additional examples of activities included in a specific economic sector. Respondents will continue to choose the economic sector of their business and then 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.

## **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:

- Monthly Retail Trade Survey (OMB No. 0607-0717)
- Advance Monthly Sales for Retail and Food Services (OMB No. 0607-0717)
- 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 Services 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, E-CORR, 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.

### **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 NAICS classification. 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 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 May 22, 2018 located in Vol.83, No. 99, on page 23,630.

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. BEA's letter of support can be found in Attachment 6. No additional comments were received.

As part of the previous OMB clearance in October 2015, the Census Bureau is required to report on efforts to improve the response rate for this survey. The details of efforts to improve the response rate for this survey are addressed in Supporting Statement B, Question 3. Additionally, we are required to report on the usefulness and feasibility of collecting the information on the percentage of revenues from each principal line derived from exports. The SQ-CLASS report collects information on the percentage of revenues from each principal line of goods and/or services for the establishment in order to properly assign a NAICS code for the establishment. The status of trade is not within scope of this the SQ-CLASS report, since it is not used to determine the NAICS code for establishments. The primary purpose of the SQ-CLASS report is

to ensure a proper NAICS code. NAICS is assigned based on the primary good or service the establishment provides. This information collected is then used to determine the EIN's eligibility to continue in the second phase of the birth sampling. Based on their NAICS classification code and sales or receipts second phase selected EINs are then added to the current surveys' ongoing samples for data collections. Ultimately, it is not feasible to collect percentages of revenues from each principal lined derived from exports since it isn't used to determine a NAICS code.

### **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. An assurance of this confidentiality is conveyed to the respondent in each SQ-CLASS 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**

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 57,000 respondents. Each respondent reports one time on the survey. The estimated burden is approximately 12,350 hours.

The estimated total annual cost to respondents is approximately \$462,631. This is based on the average response burden of 12,350 hours at approximately \$37.46 per hour for accountants and auditors (Occupational Employment Statistics - Bureau of Labor Statistics May 2017 National

Employment and Wages Statistics). <https://stats.bls.gov/oes/2017/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**

The number of annual responses for this request has increased to approximately 57,000 from 52,000 in the previous submission in 2015. This is due to a change in our sample design and industry coverage which is discussed in Supporting Statement B, Question 1. The result is an increase of 1,081 burden hours annually.

### **16. Project Schedule**

Initial letters are mailed once to respondents selected at the beginning of each quarter. At least 30 business days are provided for companies to complete the survey. Approximately, three weeks later due date reminder letters are mailed as a reminder to respondents to complete the survey by the date imprinted on the letter. A final follow-up letter is mailed six weeks after the initial letter and delinquent telephone follow-up processing runs for five to six weeks.

Any data that comes in through the E-CORR 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.