

Supporting Statement
U.S. Department of Commerce
U.S. Census Bureau
For Business and Professional Classification Report
Form SQ-Class
OMB Control No. 0607-0189

PART A. JUSTIFICATION

1. Necessity of Information Collection

The Economic Census represents the primary source of facts about the structure and function of the U.S. economy, providing essential information to government and business to help guide sound decisions. Conducted every five years, the data help build the foundation for GDP and other indicators of economic performance. Critical to its conduct is the accuracy and reliability of the Business Register data which provides the Economic Census with its establishment enumeration list.

Equally important is that the status of these establishments and related industry codes be as up-to-date as possible. The primary purpose of the “Business and Professional Classification Report” or SQ-CLASS is to meet this need for the retail, wholesale, and services sectors (see Attachment 1). Firms will be mailed five-year Economic Census forms specifically tailored to their industry based on the classification information we collect using the SQ-CLASS.

In addition, the SQ-CLASS report is used to collect information needed to keep the retail, wholesale, and services samples current with the business universe. Because of rapid changes in the marketplace caused by the emergence of new businesses, the death of others, and changes in company organization, the Census Bureau canvasses a sample of new Employer Identification Numbers (EINs) obtained from the Internal Revenue Service (IRS) and the Social Security Administration (SSA).

Each firm selected in this sample is canvassed once for data on the establishment(s) associated with the new EIN. The completed SQ-CLASS form provides sales, receipts, or revenue; company organization; new or refined NAICS codes; and other key information needed for sampling to maintain proper coverage of the universe.

Based on the collected information, EINs meeting the criteria for inclusion in the Census Bureau’s retail, wholesale, or service surveys are subjected to second sampling. The retail and wholesale EINs selected in this second sampling are

placed on a panel to report in our monthly surveys. Additional panels of selected units are included in the annual surveys. The selected service EINs report on an annual and/or quarterly basis.

Given the Census-related usage of this collection, and the crucial need to collect accurate classification information, we are requesting mandatory authority to conduct this survey under Title 13, United States Code, Sections 131 and 193. Section 193 provides the specific authority to collect supplementary statistics related to the conduct of the census on a mandatory basis.

There are only minimal changes to the form and instruction sheet. The wording of the questions and instructions for both sales and inventory will be reworded to be in line with the Census Bureau's monthly and annual surveys. These changes will not increase burden and will provide for consistency within the economic surveys at the Census Bureau. The letter to respondents, which accompanies the SQ-CLASS has been revised to reflect the mandatory nature of the collection (see Attachment 2).

2. **Needs and Uses**

The Census Bureau selects a first phase sample of EINs recently assigned by the IRS. Selected EINs are mailed a SQ-CLASS form to determine a measure of size (based on sales, receipts, or revenue); company organization; establishment information; and wholesale inventories and type of operation data. Retail, wholesale, or service EINs that are not affiliated with previously selected units are subjected to second phase sampling, with selected sampling units added to a survey panel. This methodology updates the current retail, wholesale, and service samples with a sample of new firms entering the business sector. The information obtained from the SQ-CLASS form is also used for tabulating small businesses in succeeding economic censuses (because small businesses are not mailed an economic census report form) and for the Census Bureau's Annual County Business Patterns Programs.

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 Current Retail and Inventory Surveys (OMB Approval 0607-0717), 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 Trade Survey (OMB Approval 0607-0195), and Quarterly Service Survey (OMB Approval 0607-0907). Indeed, all of these surveys would be seriously deficient without these business birth survey operations that keep their 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 companies to report electronically using facsimile technology. A laser printer facsimile machine connected to an "800" telephone line gives respondents the capability to FAX data to our collection facility in Jeffersonville, Indiana. Responding via FAX is a convenient reporting alternative, which expedites our receipt of questionnaires, although businesses may also respond by mail. Due to limited resources, the Internet and Electronic Data Interchange (EDI) will not be used to collect information.

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.

We utilize an automated coding system, Classification Analytical Processing System (CAPS). This system assists coders in assigning the best kind-of-business classification for each birth.

4. Efforts to Identify Duplication

The Census Bureau uses new EINs provided quarterly by the IRS and available NAICS codes for these births from the SSA. The SQ-CLASS collects information for a second phase of sampling, specifically, a measure of sales size, type of operation, company organization, wholesale inventories, and a new or more detailed NAICS code. This information is not available elsewhere in the early time frame needed for new birth EINs, and 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 on 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. If additional alternative sources become available, the business birth sampling program will use that data to further 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 firm 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. Reporting extensions are granted when requested by respondents.

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

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

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 SQ-CLASS form requests basic information such as revenue, company organization; and industry classification information needed for sampling to maintain proper coverage of the universe

We published a notice in the Federal Register (Vol. 72, No. 143) on July 26, 2007 informing the public of our plans to submit this request. We received no comments.

9. Paying Respondents

We do not pay respondents or 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. 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 and that participation in this survey is mandatory (see Attachment 2).

11. Justification for Sensitive Questions

This survey does not request any data of sensitive nature. All data inquiries concern only business firms or establishment data.

12. Estimate of Hour Burden

Annually, there are approximately 50,000 respondents who report one time only. 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 10,835 hours.

Number of Respondents	Annual Responses Per Respondent	Hours Per Response	Annual Response Burden
50,000	1	.2167	10,835 hrs.

The cost to the respondent for fiscal year 2008 is estimated to be \$316,057 based on the mean hourly salary of \$29.17 for accountants and auditors. (Occupational Employment Statistics- Bureau of Labor Statistics May 2006 National Occupational Employment Statistics Survey, \$29.17 represents the mean hourly wage of year-round, full-time accountants and auditors, http://www.bls.gov/oes/current/oes_nat.htm)

13. Estimate of Cost Burden

The information requested is of the type normally carried on company records and no special hardware or accounting software or system is necessary to respond to this information collection. Therefore, respondents are not expected to incur any capital and start-up costs nor 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 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 2008 is projected to be \$705,000 (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 2nd month of each calendar quarter with a completion date within 30 days after receipt. Delinquent telephone follow-up runs for approximately six weeks.

Beginning the second week after initial mail, 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 second phase sampling process. All cases selected in second phase are tabulated in a monthly, quarterly, or annual survey.

17. Request to Not Display Expiration Date

We plan to continue to display the expiration date.

18. Exceptions to the Certification

There are no exceptions.