

**U.S. Department of Commerce  
U.S. Census Bureau  
OMB Information Collection Request  
Annual Business Survey  
OMB Control Number 0607-1004**

**Supporting Statement Part B. – Collections of Information Employing Statistical Methods**

**1. Universe and Respondent Selection**

The Annual Business Survey (ABS) universe for this submission is constructed using a combination of Internal Revenue Service (IRS) tax return data. The 2020 ABS respondent selection will use 2017 and 2018 IRS data. The final universe of approximately 5.3 million employer businesses will be those reporting activity on any one of the following IRS tax forms: 1040 (Schedule C), "Profit or Loss from Business" (Sole Proprietorship); 1065, "U.S. Return of Partnership Income"; 941, "Employer's Quarterly Federal Tax Return"; 944, "Employer's Annual Federal Tax Return"; or any one of the 1120 corporate tax forms. The ABS samples employer businesses, therefore current plans will only request responses from businesses filing the 941, 944, 1065, or 1120 tax forms.

The estimated sample size is 300,000 for years 2019-2022. The sample size is necessary to provide summary-level estimates for women-, minority-, and veteran-owned businesses and to produce reliable estimates at the 2-digit NAICS, U.S., state and metropolitan statistical area (MSA) levels. The sample size was reduced from 850,000 for the 2018 ABS. The smaller sample size reduces respondent burden and will also provide quality estimates for women-, minority-, and veteran-owned businesses at less detailed geography and industry levels.

The ABS uses administrative data to estimate the probability that a firm is minority- or women-owned. Each firm is then placed in one of nine frames for sampling. The sampling frames are: American Indian or Alaskan Native, Asian, Black or African American, Hispanic, Non-Hispanic White Men, Native Hawaiian and Other Pacific Islander, Other, Publicly Owned, and Women. The sample is stratified by state, frame, and industry and systematically sampled within each stratum. A standard type of estimation for stratified systematic sampling is used. (Refer to Sampling Techniques by W.G. Cochran.) Title 13 United States Code, Sections 8(b), 131, and 182; Title 42 United States Code, Section 1861-76 (National Science Foundation Act of 1950, as amended);-and Section 505 within the America COMPETES Reauthorization Act of 2010 authorize this collection. Sections 224 and 225 of Title 13 United States Code require response from sampled firms. The expected response for the ABS is estimated to be 70 percent. The expected response rate is based on results from previous ABS collections. The Census Bureau will primarily use an electronic reporting instrument to collect the data. Questionnaires may be mailed to select nonrespondents if check-in rates are lower than expected. Check-in rates are monitored regularly during collection.

Businesses will be asked questions about the sex, ethnicity, race, and veteran status for up to four persons owning the majority of rights, equity, or interest in the business. Businesses will also be asked about characteristics of their businesses and the business owners. Further,

businesses will be asked about their innovation activity and domestic and foreign transactions. Select respondents (those with 1-9 employees) will be asked about research and development (R&D) activities and related costs.

The target relative standard error for the total number of women-, minority-, and veteran-owned businesses will be less than 10 percent. This figure is based on the 2012 SBO and the ASE.

## **2. Procedures for Collecting Information**

The ABS primary collection method is via an electronic instrument. Those selected for the survey receive an initial letter informing the respondents of their requirement to complete the survey as well as instructions on accessing the survey. The 2020 ABS initial mailing is scheduled for July 2020. Responses will be due approximately 30 days from initial mailing. Respondents will also receive a due date reminder approximately one week before responses are due. The Census Bureau plans to conduct two follow-up mailings and an optional third follow-up if deemed necessary based on check-in rates. Closeout of mail operations is scheduled for December 2020 but may be extended to allow ample time to receive returned forms if necessary. Response data will be processed as they are received. Upon the close of the collection period, data processing will continue and records will be edited, reviewed, tabulated, and released publicly.

## **3. Methods to Maximize Response**

This information collection will maximize response through the following means:

- Mailing materials that emphasize the mandatory and confidential nature of census reports, as provided by Title 13, United States Code;
- Designing effective electronic reporting instruments and instructions;
- Offering a toll-free telephone number for companies that have questions or need assistance in completing the electronic survey;
- Conducting systematic mail follow-ups to nonrespondents;
- Reducing mailings of similar content to similar businesses by combing several surveys into the ABS;
- Conducting nonresponse bias analysis if unit response rate falls below 60 percent.

During collection, response will be monitored continuously. The overall response goal is 70 percent per collection. Nonrespondents may receive a certified mailing for the second and third follow-up mailings. The Census Bureau may also plan to conduct an email follow-up to select nonrespondents reminding them to submit their report in the electronic instrument.

Post collection, unit response rates will be evaluated. The Census Bureau will conduct a nonresponse bias analysis if unit response rates fall below 60 percent. The nonresponse bias analysis will examine unit response rates and total quantity response rates to determine whether there is evidence of nonresponse bias to the key estimates of the survey. The analysis will focus on the differences of response rate by owner characteristics (by sex, ethnicity, race, and veteran status), industry, state-level geography, and legal form of organization. If required, the nonresponse bias analysis will be conducted as soon as feasible.

#### 4. Tests of Procedures or Methods

The information collections will use procedures that are based on a considerable body of experience with economic censuses and surveys, such as cognitive testing, expert panels, and evaluation of data results. Previous economic censuses have been the subject of evaluation studies that have examined methodology and conceptual issues. As a result, the procedures used by the ABS are well tested.

The survey questions have been successfully tested through cognitive interviews (see Attachments F and G).

#### 5. Contacts for Statistical Aspects and Data Collection

Persons responsible for directing the sampling, estimation, nonresponse adjustment and disclosure avoidance procedures:

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Persons responsible for directing the survey design, content development, processing, analysis and data publication:

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#### **Attachments**

- A. ABS Letters (Initial Mail and Follow-up Letters)
- B. ABS Email Follow-up
- C. 2020 ABS (ABS Questionnaire draft)
- D. Electronic instrument screens showing the burden statement, collection authority, and purpose and uses statements available to respondents.
- E. Innovation Expert Panel Workshop Summary
- F. ABS Innovation Cognitive Testing Results
- G. ABS Globalization Cognitive Testing Results
- H. Nonemployers Plan