March 22, 2016

The Honorable Orrin Hatch
Chair, Senate Committee on Finance
104 Hart Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member, Senate Committee on Finance
221 Dirksen Senate Office Bldg.
Washington, DC 20510

The Honorable Mike Crapo
Chair, Senate Finance Subcommittee on Taxation and IRS Oversight
239 Dirksen Senate Office Bldg.
Washington, DC 20510

The Honorable Robert P. Casey, Jr.
Ranking Member, Senate Finance Subcommittee on Taxation and IRS Oversight.
329 Russell Senate Office Bldg.
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden, and the Honorable Mike Crapo and Robert Casey,

Improving the sharing of business information among the three main U.S. economic statistical agencies, the Bureau of Economic Analysis (BEA), the Bureau of Labor Statistics (BLS), and the U.S. Census Bureau will improve the quality of U.S. economic data at little cost and with strong safeguards for the security of tax information.

Making the same sets of business tax information available to the BEA and BLS as is currently available to the Census Bureau would:

- Preclude redundancy in agencies' surveys, thus reducing burden on businesses.
- Assure that local government and communities get consistent statistical information about the nature and size of business activity in and near their boundaries;
- Vastly improve what we know and can measure about the growing "gig" economy;
- Gain important insights into the impact of Foreign Direct Investment on U.S. employment and wages; and
- Improve measures of Gross Domestic Product (GDP) and productivity

Currently, the Census Bureau, BEA, and BLS maintain separate business lists because they are not allowed to share key information. As a result of differences in their lists, BEA and BLS calculate different numbers and different classifications of businesses. Synchronization of business lists among these three agencies would significantly improve the consistency and quality of vital economic statistics including productivity, payroll, and employment. The availability of accurate and consistent economic statistics is crucial to policy makers.

Current law authorizes IRS to disclose certain Federal tax information (FTI) for governmental statistical use only, but the authorization varies by agency. Business FTI may be disclosed to officers and employees of the Census Bureau for *all* businesses.

Similarly, business FTI may be disclosed to BEA officers and employees, but only for *corporate* businesses, leaving out sole proprietorships and other non-corporate businesses. Currently, BLS is not authorized to receive Federal tax information on any businesses. These disclosure disparities result in major government inefficiencies. The BLS must develop and classify its own lists of businesses. The BEA gets non-corporate business data from the BLS and corporate data from the Census Bureau's FTI information. The Census Bureau cannot cross reference its full set of business information with either BEA or BLS data.

Synchronization of the lists would increase efficiency, reduce redundancy, reduce burden on businesses that now have to provide similar or identical information to two government agencies, and reduce costs. Lack of synchronization of business lists also results in inconsistency in certain measurements used by businesses and communities, as in the attached examples.

Aside from business lists, the current limitation on BEA's access to only corporate FTI, suggests that its measurements of the size of the American economy and strength of economic activity are less accurate than they could be. They miss the growth of non-corporate businesses, especially in the service sector. This is a critical problem for the substantial economic activity generated by the so-called "gig" or sharing economy in which businesses contract with independent workers for temporary engagements (like Uber) or in which economic transactions occur under a corporate umbrella but are strictly person-to-person interactions (such as on E-Bay).

We hope that you will see the advantages of giving officers and employees of BEA and BLS access to certain FTI of corporate and non-corporate businesses. The information to be shared among the federal agencies includes only the classification of a business in terms of its industry code—no information on tax payments, revenues, or employees will be exchanged. All three federal agencies are subject to the confidentiality safeguard requirements in the Confidential Information Protection and Statistical Efficiency Act. Legislation to allow data sharing would exclude BEA and BLS from sharing any federal tax information or business lists with anyone outside of their agency. State statistical agencies and other parts of the federal government would be flatly prohibited from obtaining from BEA, BLS or the Census Bureau any of the information under consideration.

Thank you for considering a legislative fix to this

problem. Sincerely,

American Association of Public Opinion Research
American Economic Association Committee on Government Relation
American Economic Association Committee on Economic Statistics
American Sociological Association
American Statistical Association
Association of Academic Survey Research Organizations
Association of Population Centers
Association of Public Data Users
Center for Data Innovation
Consortium of Social Science Associations
Council for Community and Economic Research

Council of Professional Associations on Federal Statistics
Decision Demographics
Eaton Corporation
Haver Analytics
IHS Economics
IBM
Industry Studies Association
Labor Dynamics Institute
Marketing Research Association
National Association for Business Economics
National Association of Forensic Economists
Population Association of America
Society of Government Economists
Southeast Michigan Census Council
Southeast Michigan Council of Governments

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Kathleen Cooper, Director of International Politics and Economics, Southern Methodist University
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Maureen Cropper Distinguished University Professor, University of Maryland
Gregory Dako, U.S. Chief Economist, Oxford Economics
Ronnie H. Davis, Senior Vice President and Chief Economist, Center for Print Economics and Management, Printing Industries of America
Steven J. Davis, William H. Abbott Professor of Business and Economics, University of Chicago Booth School of Business
Angus Deaton, Dwight D. Eisenhower Professor of Economics and International Affairs, Princeton University
Mark Duggan, Director, Institute of Economic Policy Research, and Wayne and Jodi Cooperman Professor of Economics, Stanford University
Catherine Eckel, Sarah & John Lindsey Professor of Economics, Texas A&M University
Jason Faberman, Senior Economist, Federal Reserve Bank of Chicago
Robert C. Feenstra, C. Bryan Cameron Distinguished Professor of Economics, University of California, Davis
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Dana Goldman, Chair, Schaeffer Center, and Distinguished Professor of Public Policy, Pharmacy, and Economics, University of Southern California
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John Haltiwanger, Dudley and Louisa Dillard Professor of Economics and Distinguished University Professor of Economics, University of Maryland
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Bart Hobijn, Professor of Economics, Arizona State University
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Nicholas J. Horton, Professor of Statistics, Amherst College
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Lester Jones, Chief Economist, National Beer Wholesalers Association
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J. Steven Landefeld, Former Director, Bureau of Economic Analysis (1995 – 2014)
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Margaret C. Levenstein, Director Inter-University Consortium for Political and Social Research, University of Michigan
Catherine L. Mann, Chief Economist and G20 Deputy, Organisation for Economic Cooperation and Development (OECD)
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Bruce Meyer, McCormick Foundation Professor of Public Policy, University of Chicago
Robert Moffitt, Krieger-Eisenhower Professor of Economics, Johns Hopkins University David Morganstein, Vice President, WESTAT
Edward Montgomery, Dean, McCourt School of Public Policy, Georgetown University Chad Moutray, Chief Economist, National Association of Manufacturers
Emi Nakamura, Associate Professor of Business and of Economics, Columbia University
Pia M. Orrenius, Vice President and Senior Economist. Federal Reserve Bank of Dallas
Peter Orszag, Former Director, Congressional Budget Office, Former Director, OMB
Karen Palmer, Research Director and Senior Fellow, Resources for the Future
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Betsey Stevenson, Associate Professor of Public Policy, University of Michigan – Ann Arbor
Michael Strain, Deputy Director of Economic Policy Studies, American Enterprise Institute
Daniel G. Sullivan, Vice President and Director of Research, Federal Reserve Bank of Chicago
Phillip Swagel, Professor of International Economic Policy, University of Maryland
Diane Swonk, Founder, DS Economics
John Taylor, Mary and Robert Raymond Professor of Economics, Stanford University
Brady T. West, Research Associate Professor, University of Michigan
Mark Zandi, Chief Economist, Moody's Analytics

Attachment (1)

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cc: Rob Portman, Member, Senate Committee on Finance
Mark Warner, Member, Senate Committee on Finance

Federal Business Data Synchronization

Request: Enable Interagency Comparison ("Synchronization") of Selected Business Data for the U.S. Census Bureau, Bureau of Economic Analysis (BEA), and Bureau of Labor Statistics (BLS)

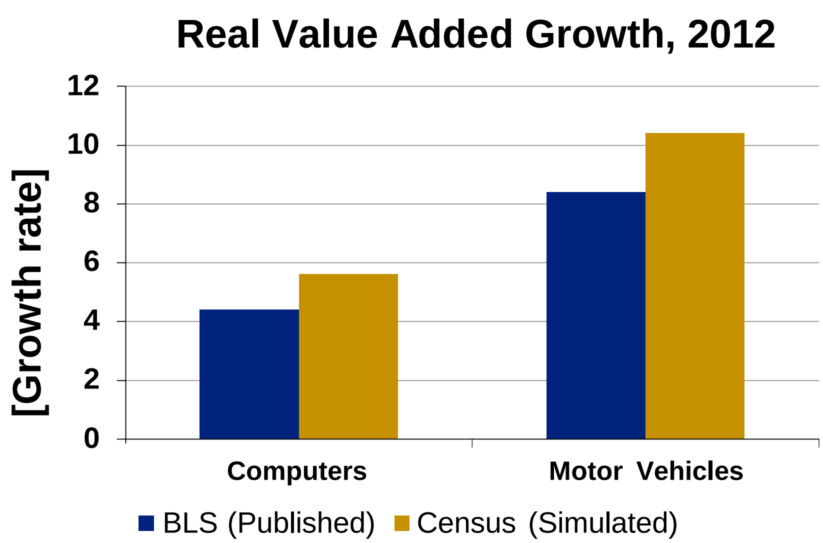
The Constraint

Census, BEA, and BLS are not allowed to compare and synchronize their business registries and data because of how they build their lists. The Census Bureau builds its list through many means including access to specified federal tax information (FTI) from the IRS. The BEA and BLS however don't have the same access to the FTI and so the agencies are not allowed to compare their business registries. BEA is permitted to access a subset of the FTI and BLS is not permitted to access FTI either directly from IRS or indirectly via its partner economic statistical agencies BEA and BLS.

Why this is a problem

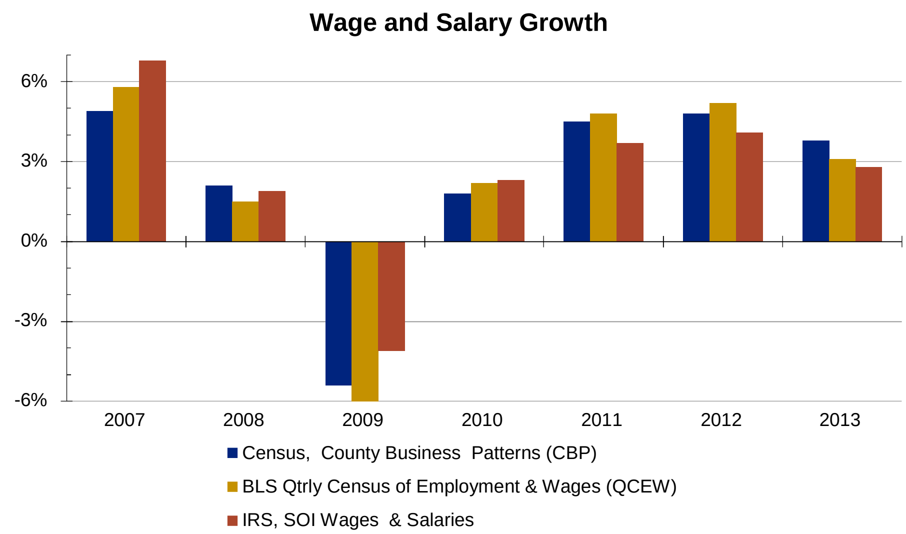
The three economic statistical agencies currently maintain separate business lists. The business lists, which are the basis for survey sampling for three major economic statistics agencies, are inconsistent with one another, resulting in the following issues.

- Some of the economic measures miss growth in emerging non-corporate parts of the economy: peer-to-peer sharing of goods and services (e.g., business conducted via e-Bay), limited liability companies, and the emerging "gig" economy (e.g., Uber/Lyft drivers, AirBnb).
- Businesses are categorized differently by different agencies. A 2006 study comparing classifications of businesses by BLS and the Census Bureau found 33% of matched single-establishment firms had been assigned different North American Industrial Classification System (NAICS) industry codes on the two lists. As a result, estimates of GDP growth rates for key industry sectors can differ according to data source, as shown in this chart for 2012.



- Potential for inaccurate budget deficit forecasts. For example, according to OMB, if GDP forecasts were consistently understated by as little as 1 percent, the projected cumulative budget deficit would be overstated by $700 billion over a 5-year period.
- Discrepancies in state-level numbers. For example, the differences between the state payroll data reported by BLS and Census Bureau in 2007 vary from 6% higher in New Hampshire to 12% lower in Alaska. (MT: 4% difference; IA: 2%; NY: 2%; MI: 2%)

- The chart to the right shows how BLS, IRS, and Census measures of reported growth in wages and salaries have differed over the past decade at the national level.
- BEA is currently unable to provide accurate and comprehensive statistics on important questions such as 'how does innovation impact economic growth?' and 'what is the income of the growing share of non-corporate businesses such as LLCs, partnerships, etc.?'



Who Supports Federal Business Data Synchronization
A wide swath of prominent economists and associations that rely on economic statistical data support Federal business data synchronization.

The Federal Economic Statistics Advisory Committee (FESAC) also strongly supports this effort (http://www2.census.gov/adrm/fesac/2014-12-12_fesac_data_sync.pdf) , noting it "will improve the measurement of key national indicators on the health of the American economy such as output, productivity, earnings, job growth and inflation as well as improve the efficiency and effectiveness of the agencies."

The Benefits
Federal business data synchronization will result in substantial improvements in accuracy, reliability, and efficiency across the federal economic statistical system – and across national, regional, and industry data.

- Better measurement of Gross Domestic Product (GDP) and Gross Domestic Income (GDI)
- Better track the 'gig' economy
- Improved measured of productivity
- Improve the Producer Price Index (PPI)
- More accurate forecasts of budget deficits
- Ability to create new national and local measures of entrepreneurship
- Improved confidence in the reliability of BEA's state and local area personal income statistics, used by most state and local governments for projecting revenues and budget expenditures.
- Accuracy of BEA measures of International Trade in Services and off-shoring involving small business would be significantly improved by access to non-corporate business data.

The solution to these problems is known, cost-free, and protects privacy: The efficiency of our economic statistical system could be improved by federal business data synchronization which can be achieved by amending U.S. tax code to allow the sharing of certain business tax data among IRS, BEA, BLS, and Census.