



Council of Professional Associations on Federal Statistics
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January 16, 2014

Honorable Max Baucus
Chairman
Senate Committee on Finance
511 Hart Office Building
Washington, DC 20510

Honorable Orrin Hatch
Ranking Member
Senate Committee on Finance
104 Hart Office Building
Washington, DC 20510

Dear Senators Baucus and Hatch,

Thank you for the opportunity to comment on the Senate Finance Committee Chairman's discussion draft for tax administrative reform.

We undersigned professional associations wish to especially commend the Committee for its inclusion of a provision that would rectify longstanding and emerging problems with the federal and regional indicators that measure performance of the American economy and inform good fiscal, monetary, and trade policies and business decisions.

The provision to allow limited sharing of Census Bureau business lists derived from IRS business tax data, with two other highly secure federal statistical agencies, the Bureau of Economic Analysis (BEA) and the Bureau of Labor Statistics (BLS), will give us all better data in which we who use economic statistics can have higher confidence.

As you are no doubt aware, Census Bureau business lists for survey purposes do not align with BLS lists of businesses for survey purposes. The BLS, which collects different, labor related data from businesses than does the Census Bureau, is at a disadvantage. The Census Bureau list is developed from access to IRS tax information and thus cannot be shared with the BLS. It would not be surprising, then, if some indicators of business activity are inconsistent with numbers of jobs and job vacancies. Inconsistency then affects the development of major indicators such as Gross Domestic Product (GPD).

The BEA uses data from both the Census Bureau and BLS to develop critical national and regional measures of economic progress (or regress). These measures, on which the Federal Reserve relies for its decision making, would be more accurate if it was possible for BEA to access a limited amount of tax information-derived Census data. Furthermore, more accurate economic growth measures by the BEA will result in more accurate projections of budget deficits.

With reconciliation in the industrial and geographic classifications used by the BLS, Census and BEA, would come an improved basis for the allocation of \$400 billion dollars in federal funds (such as Medicaid) to States. Among other improvements that consistency in business data across federal statistical agencies would render are: better indicators of industry-specific growth rates; a more accurate consumer price index; and better and more useful trade statistics.

As all statistical agencies attempt to do more with fewer resources, the opportunity for limited data sharing would replace the need for two agencies to ask businesses for similar information. The information response burden on industry would be reduced, even as survey costs could decline.

All of this can be accomplished without fear of business-specific tax information getting released outside of the agencies. BEA, Census, and BLS have impeccable records in protecting the identity of survey respondents. All must follow the demanding dictates of the Confidential Information and Statistical Efficiency Act of 2002, and all have for many decades followed the gold-standard Principles and Practices for a Federal Statistical Agency, as recommended by the National Academy of Sciences. The extremely protected circumstances under which they release sensitive economic measures extend to their entire operations.

We who use the output of BEA, BLS, and the Census Bureau to conduct research on economic problems and business cycles, to make wise business location, expansion and employment decisions, and to educate our members, fully support the proposed Subtitle H, Section 71 Authority for Limited Sharing of Business Tax Information with the Bureau of Economic Analysis and the Bureau of Labor Statistics.

Thanks, again, for the opportunity to relay our comments to you as you consider tax reform options.

Agricultural and Applied Economics Association
American Economic Association Committee on Government Relations
American Statistical Association
Association of Population Centers
Association of Public Data Users
Center for Regional Economic Competitiveness
Consortium of Social Science Associations
Council on Food, Agricultural and Resource Economics
Council of Professional Associations on Federal Statistics
National Association for Business Economics
Population Association of America

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