

A substantial use is made of tax return data by the Census Bureau. This is in continuation of the policy of relieving business of the expense and work involved in answering questionnaires and surveys. In addition, using administrative documents is more economical for the Government. The Economic Censuses make use of data for small business establishments by substituting tax return information for separately collecting Census reports. In addition Census is experimenting with the possibility of estimating population in intercensal years by using annual data on exemptions available from tax returns. The Internal Revenue Service has been cooperating with the Bureau of the Census in modifying returns and tabulations so as to fit in with data needed for sole proprietors and partnerships.

Other agencies estimate current data from small samples using tax return data which is more complete as the benchmark. For instance, the Securities and Exchange Commission forecasts plant and equipment expenditures and estimates the net-working capital of corporations using Statistics of Income data as the basis for extrapolating.

Nongovernment Users

In addition there are, of course, many studies that have been based on data appearing in Statistics of Income or the Source Book. These range from studies of tax policy, to studies of consumer characteristics and studies of economies of scale in advertising. Data from the Source Book have been republished in the form of performance ratios so that a business can compare its results with those of other corporations in the same size and industry category. There also have been studies of the incidence of capital gain taxation, of interest taxation and studies of the tax burden on stockholders, based on SOI data.

While in the past users have had to depend on data published by IRS, a recent development makes broader use possible. Public Law 87-870 authorizes the Service to accept reimbursement for the cost of doing special studies for private organizations and persons. Major users have been universities, State Governments, private individuals, companies and research organizations.

New Developments and Implications for Users

I have discussed the tax model which the Service has developed based on individual income tax returns. There are two other tax models which have been developed although they are not in as finished state as the model for individuals. These are the tax model for sole proprietorships just completed, and the tax model for corporations soon to be completed. Both these models will make possible research on the impact of alternative tax policies on business.

The use of tax models is not limited to tax purposes, however. They provide the basis of quickly producing tables varying from the ones published in Statistics of Income. Special relationships can be brought out of characteristics not previously considered, without the long lead time necessary for the regular tabulations.

As I mentioned previously, the change to automatic data processing has resulted in the establishment of master files for the major types of returns. The master file makes possible a number of significant improvements. For one, the SOI program can be made much more efficient and responsive to research needs. Significant improvements in sampling procedures are now possible. Whereas up to this time sampling has been done manually on the basis of adjusted gross income classes predetermined for audit purposes, a new plan has been introduced which uses ending digits of Social Security numbers and is independent of audit classes. In effect, the sampling plan can be more closely tailored to the needs of our program. The sampling characteristics used can be specially chosen, as for instance, business receipts or industry for sole proprietorships, in addition to adjusted gross income. AGI can be used in finer detail than the audit classes permit. In this way it will be possible to use a smaller sample with the same reliability as heretofore.

Another advantage of sampling from the computer is the possibility of making special studies when a particular characteristic is needed. This is important for items which do not occur frequently in the population as for instance, moving expenses, sick pay, or child care allowances. Since these items are identified in the master file there would be no problem in selecting an appropriate sample.

The master file can be used to develop data for finer geographic breakdowns than States and metropolitan areas at reasonable cost. For instance, we are currently experimenting with developing estimates for a few items by 5-digit zip codes or the 3-digit sectional centers through use of generalized programs. While it will not be possible to prepare extensive data along these lines, even the few