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Committee on Economic Statistics and Committee on Government Relations

AEA Statement on Data Synchronization

The Confidential Information Protection and Statistical Efficiency Act (CIPSEA) of 2002 authorized the Bureau of Labor Statistics (BLS), Bureau of Economic Analysis (BEA), and Census Bureau (Census) to share their business data, in order to increase the quality of U.S. economic statistics and decrease costs of producing them. However, enabling legislation needed to allow this sharing in a manner that would facilitate reconciling differences in key economic indicators has not yet been enacted.

The hold-up is Section 6103 of the U.S. Tax Code, which gives the three statistical agencies uneven access to federal tax data for statistical purposes. Census can access corporate and noncorporate business tax data for statistical purposes; BEA only has access to corporate tax data; and BLS has no access to any federal business tax data. This blocks BEA and BLS from accessing Census business data as it commingles federal tax information. Given these restrictions, Census and BLS must maintain separate business registers, which do not match on business characteristics like industry, employment, number and location of establishments, and payroll. The different registers mean that the sample frames of the agencies' business surveys are different. The combined discrepancies in business registers and survey data cause discrepancies between Census and BLS estimates, as has happened with the strategically important semiconductor manufacturing industry. According to Census data, the number of establishments manufacturing semiconductors in the U.S. declined from 802 to 781 between 2018 and 2021 – but BLS data show twice as many establishments and an increase of 143 between 2018 and 2021 (from 1,769 to 1,912). With rapid changes in the U.S. economy currently underway (AI adoption, resurgence of advanced manufacturing, re-shoring, etc.), accurately measuring trends in employment, investment, productivity, wages, and other key indicators is more important than ever.

Congress can take a key first step to fix this problem by amending section 6103 of the Tax Code. It is only a first step towards reconciliation of the agencies' business data. However, this first step is necessary to achieve substantial downstream benefits, including:

- Better measurement of trends in employment, earnings, productivity, and other key economic indicators
- Increased efficiency and effectiveness of the U.S. statistical system, by reducing duplication of effort
- Potential for cost savings within the statistical system, to the benefit of taxpayers
- Potential for reducing paperwork burdens on businesses.

BLS, BEA, and Census are highly experienced and successful in safeguarding the confidentiality of individually identifiable data. All sharing of business data would be governed by the many privacy-protection provisions already in place.

Bottom line*:* Congress can unlock the many benefits of data synchronization by amending section 6103 of the Tax Code to allow the disclosure of limited federal tax data to BEA and BLS for statistical purposes. This change will pave the way to better economic statistics and a more efficient statistical system, as CIPSEA 2002 intended.

For further information, see the AEA's White Paper on Data Synchronization, June 2023.

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