
An Assessment of the Need for a Redesign of the SOI Corporate Tax Sample: A Progress Report

June 13, 2014

Presentation to the SOI Advisory Panel
John L. Czajka

MATHEMATICA
Policy Research

Background

- **Sample growth and overall costs are not an issue**
 - Population grew 29% between 1995 and 2010
 - Sample grew 11%
- **Sample composition has changed**
 - Returns sampled with certainty grew from 27.7% of the sample in 1995 to 43.1% in 2010
 - S-corporations grew from 46.7% to 69.2% of the population and from 24.8% to 30.3% of the sample
 - Small form types grew from 0.5% to 0.9% of the population and from 10.3% to 16.7% of the sample

Background cont'd

- **Some loss of precision is evident but difficult to separate from business cycle effects and other variation in corporate income**

Meetings with JCT, OTA, BEA, and CBO

- **Customers focused less on sample design issues than on growing limitations of corporate tax data**
- **Limitations result from changes in corporate organization, revenue, tax incentives**
 - Corporate family structure cannot be observed in sample
 - Data gaps for capital gains realizations, distributions, and foreign issues are substantial
 - Pre-audit data more of a limitation for corporate tax than individual tax analysis

■ **Customers also noted the following**

- Sample size has been controlled by adjusting sampling rates, not stratum boundaries; this has implications for representation of returns of intermediate size
- Boundaries are not indexed, but a suitable index for corporate returns is not evident
- Inclusion of critical returns is important; imputation is a last resort and needs to be done well
- Timeliness is a significant issue for some customers but less so for others

Addressing data needs on family structure

- **SOI is taking several steps to provide more data to OTA**
 - OTA has always received Form 851, which lists the parent and subsidiaries for a consolidated group
 - SOI will now provide unedited items from front page of 1120 for parent and subsidiary returns of sampled consolidated groups
 - SOI will also provide EINs of controlled group members from Schedule O (electronically-filed only)
- **A population file constructed during sample selection would enable analysis of controlled group members without requiring their addition to the sample**

Addressing data needs on family structure

- **Is a corporate panel required to fully address the data needs?**

Sample design issues

- **Moderating growth in the top strata**
- **Determining the optimal representation of S-corporations and small form types**
- **Eliminating and reallocating the empowerment zone oversample**
- **Addressing the need for data on controlled group members**
- **Assessing whether data limitations flagged by customers have sample implications**