
Discussion

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I found all four papers* interesting and generally logical, complete and well presented and I learned something from each paper. I was especially struck by the great diversity of uses of administrative records:

- ❑ as a frame and indicator of undercoverage for agricultural censuses and surveys (Thomas, 1994);
- ❑ in the development of a price index from which to monitor change (Himelein, 1994);
- ❑ to measure the effects of a change in tax law;
- ❑ as a profile to lead to changes in programs and policies in the administration of income tax.

My plan is to look at each of the papers in turn, then to return to the broader context of the use of administrative records in government statistics.

■ How Sales of Capital Assets Were Affected by the Tax Reform Act of 1986 (B. Longton, P. Sailer, J. Wilson)

This paper provides a preliminary look by the Internal Revenue Service at how changes in taxation of capital gains affected sales of capital assets by analyzing data from a longitudinal panel of taxpayers.

*This Discussion is an excerpt from a presentation which discussed four papers on statistical uses of administrative data at the 1994 Joint Statistical Meetings in Toronto. Only that portion of the presentation related to papers reprinted in this volume is included here.

I must first commend the authors on the work done since obtaining the data just last week. I feel honoured that I am here today to witness the first release of data from the Sales of Capital Assets (SOCA) Panel. Given the short time available to analyze the data, I wish to acknowledge that many of my comments may have already been considered by the authors but because of time limitations were not able to be pursued.

In the paper, I liked the set of questions posed that were unable to be answered by the cross-sectional analysis. They are good questions and, in fact, the presentation answered three of the five. The presenter did recognize that the analysis is incomplete with respect to the effects of the 1987 stock market crash and the need to look at more data for 1988 onward.

The future plans are well stated and the analysis of data on timing of sales and the length of time assets were held will be worthwhile. The interpretation of impact of sales will certainly be affected by whether assets were purchased in, say, 1975 dollars or 1986 dollars.

I agree that SOCA is a wonderful research tool and has a great deal of untapped potential.

My first suggestion relates to the goal of tax reform keeping revenues constant while lowering tax rates. The relationship among capital gains tax, other tax rates, and the stated goal is worth mentioning in the paper.

A second comment is concerned with the total capital gains figure for data from the longitudinal file differing so much from the cross-sectional data. The difference would seem to be beyond that ex-

pected from sampling error. For 1986 on, this question will not apply as new filers are excluded from the panel.

For the cross-sectional data, I would like to see data for a few years before 1985 (it is naturally not available longitudinally pre-1985). If the data are stable and no significant change had taken place in the economy or in tax laws, then support is provided in the analysis to changes being a result of the Tax Reform Act of 1986 or the stock market crash of 1987. If such data are not stable (and no significant changes in the economy or tax law had occurred), then further analysis will be required in order to attribute the changes in data to the Tax Reform Act or the stock market crash.

My fourth comment depends on the SOCA content. The suggestion is to pursue other tax-related economic variables and demographic variables in order to understand better the dynamics of sales related to who does what and at what time concerning capital assets.

Because the longitudinal panel is based on sampling, I remind the authors to consider and report on whether differences are statistically significant or not.

With the sample applying to 1985, the authors acknowledge the impact on weighting as you get further from the base year and will be examining transitional matrices for the sample and the population. I would also ask about the appropriateness of the definition of the longitudinal population and the impact of maintaining the same sample given the intended analyses and whether, for example, a rotational scheme might be appropriate.

■ Self-Employed Nonfilers: The Accuracy of "Enforcement-Secured" Tax Returns (L. Rosage)

This paper reports on the accuracy of "enforcement-secured" tax returns of the self-employed by the Internal Revenue Service.

In the paper, I liked the thoroughness of the analysis, the logical flow of ideas and the clarity of description. The concept of voluntary reporting percentage is simple but effective. I also appreciated the illustrative examples used in the presentation. They clearly made the points.

I found the data interesting, especially the estimated net tax balance due (certainly not a trivial amount). The study is a useful tool in profiling the degree of the nonfiler problem and can lead to policy and program changes. The abstract to the paper mentions some of these changes (customizing education and services as well as enforcement approaches) but the paper itself makes no such mention. Without giving away all the secrets, a brief discussion of the impact of the analysis on programs and the next steps that follow is merited.

A second suggestion is to compare the reported distributions of accuracy with those of regular filers (self-employed and otherwise). These data might be available from audits. This comparison would provide a context for the severity of the problem and would influence the possible actions to take on the nonfiler population. I would expect the accuracy to be greater in the filer population but I will not venture a guess as to the degree.

The overall sample is 2,200 nonfilers with a subset of this being self-employed. Brief references to differences being statistically significant or not are warranted.

■ Conclusion

I now return to a broader look at the use of administrative records in government statistics.

During this era of fiscal restraint, the need for statistical agencies to do more with less has been made possible in part by technological change and through the use of administrative data in conjunction with or instead of direct collection. At the same time, there is an increasing reluctance on the part of

respondents to provide information. I believe that administrative data will increasingly be used for statistical purposes and with an even greater diversity of applications.

Using administrative records can alleviate respondent burden, decrease costs of collection, and may improve timeliness of dissemination. However, a balance or trade-off is required between the respect of privacy and the use and sharing of data.

In addition, there are drawbacks in using administrative records because of limitations on scope or quality. We must keep in mind that these records are designed for administrative purposes and can be an unstable source of data because of changes in laws or programs. Their quality may be difficult to discern. Input to the administrative data content (e.g., the Survey of Employment, Payroll, and Hours of Statistics Canada and the inclusion of two questions on the administrative Payroll Deduction forms (PD7) of Revenue Canada) is one way to overcome deficiencies in scope. Another is to model the data, as was done in Himelein (1994).

There is a need to develop a broader subject matter knowledge when using administrative records, because of their likely different definitions and concepts. Changes to the administrative program must also be monitored for effects on the statistical uses.

Administrative records, their linkage, and their integration with surveys and censuses are an important part of the statistical future.

■ References

- Thomas, Bradley (1994), Updating the Statistics Canada Farm Register with the Canadian Census of Agriculture, *Proceedings of the American Statistical Association, Government Statistics Section*.
- Himelein, James A., Jr. (1994), The Use of Administrative Data in the Development of a Longitudinal Price Index for Inbound Ocean Liner Services, *Proceedings of the American Statistical Association, Government Statistics Section*. ■