

3. *Information collections in the database cannot be sorted by size or sector.* There is no consistent element related to size that would indicate applicability to a small business. Nor are there elements, such as NAICS codes, that would indicate applicability to specific small business sectors. At one time many years ago the Standard Industrial Classifications codes (SIC, a precursor to NAICS) that applied to a clearance package were collected. This information was discontinued because 70 percent or more of the clearance packages were submitted as applying to "10 or more SIC codes" rather than listing a few specific codes. While the form and database do include key words that can help identify applicability, there are no standards to guide their selection.

- *Overcoming the lack of a consistent methodology for identifying a requirement's applicability.* A second prerequisite for developing a list of reporting and recordkeeping requirements is the ability to identify which requirements apply to which businesses. However, there is no federal guidance that addresses how agencies should specify reporting and recordkeeping requirements applicable to a particular business size or sector. Each agency, and in some cases each program within an agency, makes its own decision about whether to include this information. For example, at EPA, some programs identify the NAICS codes in their regulatory development and tracking systems, while others use an industry sector descriptor or nothing at all.

- *Members of the Business Compliance One Stop (BCOS) project team have been developing plans for a system capable of identifying regulatory reporting and recordkeeping requirements applicable to specific business sizes and sectors.* They have discovered the following issues which need to be addressed:

1. *Multiple NAICS Codes Apply to Individual Businesses:* Many businesses' activities are characterized by multiple NAICS codes. A list of reporting and recordkeeping requirements listed by NAICS codes alone would require many businesses to review multiple requirements listed under several NAICS codes. Such listings would likely include duplicative requirements.

2. *Broadly Applicable Regulations:* OMB has estimated that approximately 70 percent of information collections apply to many, or even all, NAICS codes. For example, all businesses are subject to IRS tax reporting.

3. *Regulation Applicability Based on Other Factors:* In some cases, regulatory

applicability is dependent on factors other than business size or sector. For example, IRS bases its requirements on the points in a business life-cycle and other unique criteria.

A complete listing of all reporting and recordkeeping requirements for small businesses can not be based on NAICS codes alone. It will need to take into account not only business type, but also size and other factors that can affect applicability.

- *Resolving complexities affecting ease of use.* Because of the issues described above, having a government-generated list of reporting and recordkeeping requirements by NAICS code alone would not meet small business information needs. Such a list would include every requirement that potentially could apply to a particular NAICS code. The list of potentially applicable requirements for a particular NAICS code would not be significantly shorter than the list of all existing information collection requirements. Moreover, if a small business were listed under more than one NAICS code, the research to determine applicability would be even greater.

- *One alternative would be to sort the requirements into multiple categories that could include an industry sector identification and other distinguishing criteria, such as the kinds of businesses subject to environmental or worker safety reporting and recordkeeping requirements.* A list organized in this manner would require the user to search under multiple categories and to cross-reference the requirements that appear under each one. It would be time consuming, but would lead to a more accurate result than a listing by NAICS code alone. Even with this more tailored approach, the result would be affected by how knowledgeable the user is about his or her operation. The user would have to know which headings to search. This process would likely be tedious and time consuming. Moreover, even sophisticated users might overlook or miss applicable categories, leading to an incomplete result.

Neither approach—a listing by NAICS code or a listing using multiple categories—would fully meet small business needs. They would still be extremely time-consuming and could complete incomplete results or identify collections that might only apply if other factors were also involved.

- *Building an automated, interactive system that enables small businesses to self-identify requirements that apply.* Recognizing the power of automated search engines, the BCOS team is designing an Internet portal with a sophisticated multi-criteria search

capability. This system enables the user to research requirements using multiple screening tools. The user answers questions that relate to business type, size and other factors that enable the search engine to narrow the results. Depending on the answers, the user may be asked for more details to narrow the search. For example, if the user indicates an interest in environmental regulations, he or she may be asked about the hazardous materials used at their operation. While this automated, query-based system is much more reliable and user-friendly than the government-generated lists described in the preceding bullet, it is still under development. The development process is proceeding sequentially. SBA estimates that having a complete system for serving all sectors is a number of years away.

- *Ensuring access to the list.* Providing a list over the Internet would provide the most accessible and cost-effective means of meeting small business information needs. But many small businesses do not have Internet access. SBA estimates that over 10% of small businesses will not use computers in the next five years. Of those that do, owners and employees may not have the time to access and download the information while juggling other on-the-job demands. Providing a list of applicable requirements in a quick, easy to download and printer-friendly format would allow downloading at work or in other places, such as homes or libraries, where Internet access is available. Further, having an order-form of relevant publications that could be downloaded may be helpful for small business owners who do not have time to download and print documents regardless of where they physically conduct their Internet searches.

Management

- *Coordinating with multiple federal agencies.* Thirty-six agencies impose reporting and recordkeeping requirements, and all of them have unique organizational structures, processes, and systems for managing these responsibilities. Reaching agreement on a single system for identifying requirements will require extensive coordination among these agencies.

- *Designating responsibility.* Given the number of agencies involved, a single federal entity would need to be charged with overseeing the development and long-term maintenance of a system that could identify requirements applicable to small businesses.