



## **Data Appendix:**

### **What Do Survey Data Tell Us about U.S. Businesses?**

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In this appendix, we provide details on the data sources and construction of variables for our analysis in “What Do Survey Data Tell Us about U.S. Businesses?” We also include the auxiliary tables and figures omitted from the main text.

## 1 Data Sources

The main data sources are:

- Statistics of Income of the Internal Revenue Service (SOI);
- Survey of Consumer Finances of the Board of Governors of the Federal Reserve System (SCF);
- Survey of Income and Program Participation of the U.S. Census Bureau in the Department of Commerce (SIPP);
- Panel Study of Income Dynamics of the Survey Research Center, Institute for Social Research, University of Michigan (PSID);
- Current Population Survey at the Bureau of Labor Statistics (CPS);
- Center for Research in Security Prices and Compustat (CRSP);
- Pratt’s Stats (now renamed as DealStats) from Business Valuation Resources.

Besides the main data sources listed above, we also use information from the national income and product accounts and fixed asset tables of the Bureau of Economic Analysis; financial accounts of the Board of Governors of the Federal Reserve System; Panel Study of Entrepreneurial Dynamics of the Survey Research Center, Institute for Social Research, University of Michigan; and the Kauffman Firm Survey of the Kauffman Foundation.

Table 1 lists the main variables used in our analysis: business incomes, the number of returns or owners, and business rates of return. The four columns are: (i) the variable name, (ii) the measurement concept, (iii) the database codebook or publication reference, and (iv) other remarks. In lines 1–15, we list variables that are used to construct business incomes and numbers of returns and owners from the IRS, SCF, SIPP, PSID, and CPS. In lines 16–20, we describe the variables used to construct income yields from the SCF, CRSP, and Pratt’s Stats database.

Table 1: Data Construction

Line No.	Variable	Description	Sources	Remarks
1	Adjusted gross income (IRS)	Sum of wages and salaries; net income from a business, profession, or farm; taxable and nontaxable interest; dividends; capital gains from the sale of capital assets and other property; net income from rental, royalty, estate, and trust; net income from partnerships and S corporations; unemployment compensation; alimony received; total pensions and annuities; total social security benefits; and other income.	SOI Table 1.4: <i>All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income</i> X5702+X5704+X5708+X5710 +X5712+X5714+X5716+X5718 +X5724	Data available for 1988–2015.
2	Adjusted gross income (SCF)			Data available for 1988–2015 (triennial). We reset X5704=0 for a household that does not own any actively managed sole proprietorship as identified through X3119, X3219, and X3319.
3	Sole proprietorship income, receipts, and number of returns (IRS)	Schedule C, Form 1040 [line 31] and Schedule F (farm), of Form 1040 [line 34]	SOI Table 2: <i>Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors</i> Table 1.4: <i>All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income</i>	See [1] above.
4	Sole proprietorship income, receipts, and number of returns (SCF)		Business incomes: X3132–X3232 Business receipts: X3131–X3331 Legal status: X3119–X3318 Ownership shares: X3128–X3328	Data available for 1988–2015 (triennial). For years until 2007, SCF provides all required information for three businesses, and after 2007 it provides information for two businesses.
5	Partnership income, receipts, and number of returns (IRS)	Form 1065, lines 22 and 1c	SOI Table 1: <i>All Partnerships: Total Assets, Trade or Business Income and Deductions, Portfolio Income, Rental Income, and Total Net Income, by Selected Industrial Group</i>	Data available for 1988–2014. We exclude foreign partnerships that file 1065 or 1065-B using Table 9a.
6	Partnership income, receipts, and number of returns (SCF)		See [4] above.	See [4] above.
7	S corp. income, receipts, and number of returns (IRS)	Form 1120S, lines 21 and 1c	SOI Table 7: <i>S Corporation Returns: Balance Sheet and Income Statement Items, by Major Industry</i>	See [1] above.
8	S corp. income, receipts, and number of returns (SCF)		See [4] above.	See [4] above.
9	C corp. income, receipts, and number of returns (IRS)	Form 1120, lines 30 and 1c	SOI Table 16: <i>Balance Sheet, Income Statement, Tax, and Selected Other Items, by Major Industry</i>	Data available for 1990–2013
10	C corp. income, receipts, and number of returns (SCF)		See [4] above.	See [4] above.

Table 1: Data Construction (cont.)

11	Unincorporated business income and number of owners (IRS)	Income from partnerships and sole proprietorship	See [3] and [5] above.	See [3] and [5] above.
12	Unincorporated business income and number of owners (SCF)		See [4] and [6] above. X4106, X4706 to infer self-employed members of household.	If the head and the spouse are both not self-employed but the household has an actively managed partnership business, then we infer that someone else in the household is self-employed and the owner of that business.
13	Unincorporated business income and number of owners (SIPP)		Business income: TBMSUM1-SUM2 Business shares: TPRFTB1-B2 Legal form: EINCPB1-B2 and EPROPBI-B2	Data available for 2004-2006 and 2009-2013. <sup>1</sup> SIPP reports information about two businesses on a monthly frequency. We average to report annual values.
14	Unincorporated business income and number of owners (PSID)		Code names vary across surveys but can be linked. For 2005 business income: ER65192, business owners: ER60932.	We use longitudinal family weights to compute aggregates.
15	Unincorporated business income and number of owners (CPS)		Business income: INCBUS Class of worker: CLASSWKR	1989-2016 Annual Social and Economic Supplement. Respondents who identify as self-employed running an incorporated business are considered business owners.
16	Income yield (SCF)	Business Income / Business Value	For business income see [4], [6], [8] above. X3129-X3329 for business valuations.	We exclude businesses with net worth less than the bottom 1st percentile of the net worth distribution, conditional on having positive net worth.
17	Income yield (CRSP/Compustat)		PI/ (csho x prcc_f) where PI: Pretax Income csho: Common Shares Outstanding prcc_f: Price Close - Annual - Fiscal	Sample includes firms incorporated in the US and for 1988-2017. Income yields are passed through a 1% winsorizing filter.
18	Income yield (Pratts Stats)		EBT/MVIC where EBT=Earnings before Taxes, MIVC=Total consideration paid to the seller	For the “small” firms, we use bottom 20% of the firms by (i) market value=csho x prcc_f, (ii) book value of assets (AT), and (iii) by gross sales (SALE). Sample truncated to exclude transactions where the EBT and MVIC are in the top 1% and bottom 1% of their respective series.
19	Income yield (PSID)		See [14] above for business income. For business valuations, code ER61736 in 2015 survey.	
20	Income yield (SIPP)		For business income, see [13] above. TVBVA1-VA2 for business valuations of assets. TVBDE1-DE2 for value of debts.	See [13] above.

<sup>1</sup> Prior to SIPP panel 2004, TBMSUM1 and TBMSUM2 asked respondents about total business income. However, ownership share information is only asked once a year at most in the SIPP’s topical modules. Hence, we are unable to recover aggregate business income for SIPP panels prior to 2004.

In addition to the variables listed in Table 1, we use BEA estimates of income misreporting by noncorporate businesses and General Accountability Office (GAO) estimates of income misreporting by S corporations to adjust IRS pass-through business income. BEA estimates of income misreporting over time are obtained from NIPA Table 7.14 (line 2). The GAO estimates are taken from reports GAO 14-453 and 10-195, which summarize the progress of the tax compliance studies conducted by the IRS through the National Research Program.

To verify the consistency of sole proprietorship income in the SCF, we compared two measures of net income from a sole proprietorship or a farm. Results of the comparison were reported in the main text. The first was the measure described in Table 1 (line 4), which uses pretax net income variables (coded by X3132, X3232, and X3332) from Form 1040, Schedule C (line 31). The second is X5704, which measures net annual income from a sole proprietorship or a farm before deductions. Specifically, this variable codes responses to the question asking for combined incomes appearing on lines 12 and 18 of IRS Form 1040.

Finally, to verify whether respondents in the SCF check documents, we use variable X6536, which provides information on the frequency of checking any documents when answering interview questions. Variable X7451 informs us about whether the respondent referred to income tax documents, and variables X7452 through X7455 inform us about whether the respondent referred to other financial documents, namely, pension documents, account statements, investment or business records, and loan documents, respectively. If a respondent says that he or she checked the income tax document (X7451=1), we use his or her answers to X6536 to obtain the frequency of checking this document. The respondent did not check the income tax document if either (X7451=5 or X7451=0 or X7451=-7) or (X6536=4). We use the same steps to check referencing of other financial documents by using X7452–X7455 instead of X7451. We classify a respondent who checks at least one of these four documents as someone who refers to any other tax documents. We then obtain the weighted fraction of the group of respondents who check these two types of documents frequently, sometimes, rarely, or never. Roughly 4 percent of all respondents have nonapplicable responses (NaN). We adjust for this nonresponse rate in the results of the main text so that our fractions sum to 100 percent.

## 2 Additional Details

Next, we report on our auxiliary tables and figures that relate to our findings on business incomes, receipts, and returns.

## **2.1 Business Income**

### **2.1.1 Aggregate**

In Section 3.1 of the main text, we discussed business income per return and the number of returns across years and legal forms. In Figure 1, we report aggregate business incomes and show that they are overstated for all pass-through businesses. In Figure 2, we compare the aggregate business income from the SCF with other surveys, namely, the SIPP, PSID, and CPS, and extend the analysis from Section 6 of the main text.

### **2.1.2 Distribution**

In Section 3.2, we discussed the distribution of business income by splitting pass-through businesses into two categories: those that make profits and those that make losses (or no income). In Figures 3 and 4, we plot business income per return by legal status for those making profits and losses, respectively. In Figures 5 and 6, we plot the number of returns for the same sets of businesses. In Table 2, we extend the analysis of decomposing the total percentage error into the overstatement of profits and understatement of losses. In Figure 7, we report the distributional statistics for S corporations. As we noted in the main text, the data for S corporations are only available for limited years, namely 2003–2012, but these data show similar inconsistencies between SCF and IRS data, as was found with sole proprietorships.

### **2.1.3 Broad Business Income**

In Figure 8, we extend the analysis of Section 5.2 in the main text by replicating the analysis of Johnson and Moore (2008) for all years. As we noted in the main text, the SCF estimates are still larger in all years than the IRS counterpart even with the broader concept of income.

## **2.2 Business Receipts**

In Section 3.1 of the main text, we reported that business receipts per owner are overstated. In Figures 9 and 10, we corroborate that finding by showing aggregate business receipts and business receipts per return across legal forms and across years.

## **2.3 Business Returns**

In this section, we provide additional details for the comparison of the income yields in SCF to CRSP-Compustat, Pratt’s Stats, and other surveys to augment the analysis in Section 4 of the main text.

In Table 3, we provide several additional moments for the distribution of income yields in the SCF. In the main text, we showed evidence that the SCF income yields are high when compared to CRSP-Compustat

or Pratt's Stats. The additional moments show that this is true regardless of year or legal structure.

In the main text, we compared the income yields for S and C corporations in the SCF to small firms in CRSP where we defined "small" as corporations that are in the bottom quintile of the size distribution as measured by the book value of total assets. In Table 4, we extend the analysis to two alternative definitions of "small": (i) those in the bottom quintile by market value and (ii) those in the bottom quintile by gross sales. Although there are some differences in the magnitudes, the equally weighted and value-weighted yields are negative in all years, regardless of how we classify the small firms.

In Table 5, we report income yields from Pratt's Stats for all legal forms. We see that sole proprietors have higher yields than other pass-throughs and C corporations. However, since these businesses have much smaller valuations, the value-weighted yield for all businesses is relatively low when compared to SCF data.

Finally, in Tables 6 and 7, we report the income yields in PSID and SIPP for all years that the data are available. As we noted in the main text, the average yields are comparable across the SCF, PSID, and SIPP, while the distributions are not. These tables more clearly demonstrate this finding.



Table 2: SCF-IRS Business Income Gap by Legal Structure

Tax Year	SCF-IRS Gap (\$)	Percentage of Gap from	
		Overstatement of Profits (%)	Understatement of Losses (%)
Sole Proprietorship			
1988	67.09	58	42
1991	94.36	67	33
1994	5.44	-515	615
1997	122.91	71	29
2000	168.09	75	25
2003	59.06	5	95
2006	91.66	29	71
2009	55.72	-38	138
2012	-28.22	359	-259
2015	-33.74	350	-250
Mean	60.24	46	54
Partnership			
1988	56.28	37	63
1991	138.70	67	33
1994	500.59	92	8
1997	99.05	30	70
2000	261.03	56	44
2003	370.45	68	32
2006	724.62	83	17
2009	435.59	35	65
2012	205.51	0	100
2015	1251.70	101	-1
Mean	404.35	57	43
S Corporation			
1988	35.78	57	43
1991	73.53	53	47
1994	118.07	74	26
1997	163.99	77	23
2000	206.06	78	22
2003	355.15	86	14
2006	279.35	77	23
2009	258.94	68	32
2012	41.06	-53	153
2015	474.85	101	-1
Mean	200.68	62	38
C Corporation			
1991	-85.35	261	-161
1994	-244.42	148	-48
1997	-339.64	139	-39
2000	-57.00	670	-570
2003	-267.37	212	-112
2006	-859.87	123	-23
2009	-236.88	323	-223
2012	-747.36	138	-38
Mean	-354.74	252	-152

*Note:* This table shows the difference (gap) between aggregated business income by legal structure in the SCF and IRS. The gap is then decomposed into the fraction attributable to an overstatement of profits or an understatement of losses. Dollar amounts are in billions.

Table 3: Net Income Yields in the SCF by Legal Structure

Tax Year	Sole Proprietorship					Partnership					
	Value-Weighted Mean	Equally Weighted Mean	p25	p50	p75	Value-Weighted Mean	Equally Weighted Mean	p25	p50	p75	
1988	19.9	105.0	3.2	20.0	80.0	13.6	111.4	0.0	8.0	50.0	
1991	24.7	63.3	0.2	15.0	52.0	25.1	42.6	0.0	4.4	24.1	
1994	19.1	97.8	2.0	24.0	74.0	74.1	49.1	0.3	10.7	42.3	
1997	31.2	152.2	2.2	29.5	100.0	18.8	108.4	0.8	16.4	60.0	
2000	26.6	89.8	0.9	25.5	75.0	24.5	203.1	0.1	11.9	40.0	
2003	23.0	90.0	3.0	25.0	70.0	20.6	85.6	0.0	5.0	30.0	
2006	25.0	254.8	2.3	32.0	100.0	18.8	84.4	0.1	10.0	40.0	
2009	20.7	92.9	1.6	27.2	93.3	12.6	167.8	0.0	4.5	40.0	
2012	24.7	87.4	0.0	23.2	82.4	11.5	36.8	0.0	5.4	33.7	
2015	20.0	198.2	2.6	32.5	100.0	16.2	60.6	1.0	12.0	48.8	
Mean	23.5	123.1	1.8	25.4	82.7	23.6	95.0	0.2	8.8	40.9	
		S Corporation					C Corporation				
1988	12.7	23.5	0.5	6.0	37.5	17.8	101.7	3.2	16.7	30.5	
1991	15.0	42.0	0.0	11.2	43.6	15.5	45.1	0.0	9.0	32.0	
1994	14.3	38.1	0.9	11.7	40.0	28.3	73.9	0.4	8.0	41.1	
1997	19.6	72.0	0.1	15.8	76.0	15.5	92.4	5.3	20.8	62.2	
2000	16.1	120.7	4.4	18.4	40.0	26.5	90.8	2.9	15.8	46.0	
2003	16.1	161.1	4.0	14.2	40.0	11.3	13.9	0.0	4.4	12.9	
2006	15.4	75.1	3.8	16.7	80.0	16.3	44.4	0.0	7.5	36.0	
2009	17.0	142.3	0.0	13.3	58.1	11.5	23.8	0.0	5.4	23.3	
2012	14.4	57.6	2.7	15.2	52.2	15.4	55.4	0.0	9.0	41.3	
2015	11.7	31.9	5.9	19.8	37.5	10.9	27.1	1.3	9.7	36.5	
Mean	15.2	76.4	2.2	14.2	50.5	16.9	56.8	1.3	10.6	36.2	
		All Pass-throughs					All Businesses				
1988	16.1	101.3	1.2	13.3	62.5	16.6	101.3	1.3	14.3	57.0	
1991	21.7	57.9	0.0	13.3	50.0	20.7	67.2	0.0	13.2	43.6	
1994	32.2	80.8	1.1	20.0	64.0	31.5	80.8	1.1	19.0	62.9	
1997	22.5	135.5	1.1	24.5	93.0	20.6	148.9	1.7	24.7	86.7	
2000	21.3	113.9	1.3	21.0	62.9	22.6	114.4	1.6	20.0	62.3	
2003	18.8	101.4	1.0	17.4	53.7	17.7	81.1	0.2	14.9	50.0	
2006	18.4	183.7	2.0	22.0	80.0	18.1	171.7	1.6	20.0	73.3	
2009	15.3	116.9	0.0	17.5	75.0	14.8	111.7	0.0	16.0	70.0	
2012	13.9	67.1	0.0	15.0	60.0	14.1	66.2	0.0	15.0	60.0	
2015	15.1	84.4	2.0	20.0	65.0	14.6	81.5	1.8	19.4	64.0	
Mean	19.5	104.3	1.0	18.4	66.6	19.1	102.5	0.9	17.6	63.0	

*Note:* This table shows moments of the net income yield distribution of businesses in the SCF by legal structure. The sample includes businesses with positive net worth and excludes the bottom 1st percentile of these businesses. The business income of each business that the family members own in the SCF is obtained from SCF variables that correspond to information on business tax forms.

Table 4: Income Yield for Small Firms in CRSP

Tax Year	by Market Capitalization					by Sales				
	EW	VW	p25	p50	p75	EW	VW	p25	p50	p75
1988	-43.6	-27.0	-52.3	-14.3	6.1	-27.2	-8.8	-26.3	-8.6	1.1
1991	-72.9	-49.0	-72.4	-15.9	5.1	-31.7	-6.0	-23.3	-5.6	1.5
1994	-23.3	-14.2	-34.1	-4.1	9.3	-18.1	-9.2	-24.8	-6.6	4.0
1997	-29.9	-19.2	-43.2	-8.5	7.1	-21.1	-8.5	-25.4	-8.0	2.7
2000	-104.1	-71.8	-103.4	-16.4	10.4	-52.8	-12.4	-42.2	-10.7	2.2
2003	-14.2	-9.2	-21.0	-0.9	7.8	-9.5	-7.2	-15.2	-3.3	5.5
2006	-12.1	-8.1	-20.8	-0.2	7.6	-11.9	-8.6	-18.6	-5.1	4.7
2009	-65.0	-47.3	-72.4	-22.5	4.7	-32.6	-11.0	-34.6	-10.8	3.0
2012	-22.7	-12.6	-35.6	-3.8	10.4	-17.1	-5.7	-22.7	-5.4	6.7
2015	-59.6	-35.6	-55.4	-11.5	6.3	-37.6	-11.5	-35.8	-11.9	1.9
Mean	-44.7	-29.4	-51.1	-9.8	7.5	-25.9	-8.9	-26.9	-7.6	3.3

*Note:* This table shows estimates of income yields for small businesses in CRSP-Compustat firms. The column “EW” reports the equally weighted average, the column “VW” reports the value-weighted average, the column “p25” reports the 25th percentile, the column “p50” reports the 50th percentile, and the column “p75” reports the 75th percentile.

Table 5: Income Yield from Pratt’s Stats

Legal Form	EW	VW	p25	p50	p75
Sole Proprietorship	41.3	31.6	13.3	36.7	61.5
Partnership	26.6	4.8	2.7	20.5	48.8
S Corporation	30.3	6.9	6.5	23.3	47.8
C Corporation	6.8	-2.1	-2.3	6.5	29.8

*Note:* This table shows estimates of income yields from the Pratt’s Stats database. The column “EW” reports the equally weighted average, the column “VW” reports the value-weighted average, the column “p25” reports the 25th percentile, the column “p50” reports the 50th percentile, and the column “p75” reports the 75th percentile.

Table 6: Net Income Yields of Unincorporated Businesses in the PSID

Tax Year	Value-Weighted Mean	Equally Weighted Mean	p25	p50	p75
1998	5.2	136.4	0.0	12.5	75.0
2000	21.7	182.4	0.0	7.5	73.3
2002	21.8	187.0	0.0	33.3	139.5
2004	22.2	287.7	3.9	36.9	140.0
2006	20.6	630.1	10.0	42.5	222.2
2008	10.9	175.8	2.7	28.8	125.0
2010	13.9	110.3	3.9	25.0	75.9
2012	10.7	90.8	3.3	23.0	83.3
2014	6.9	182.9	4.8	33.3	100.0
Mean	14.9	220.4	3.2	27.0	114.9

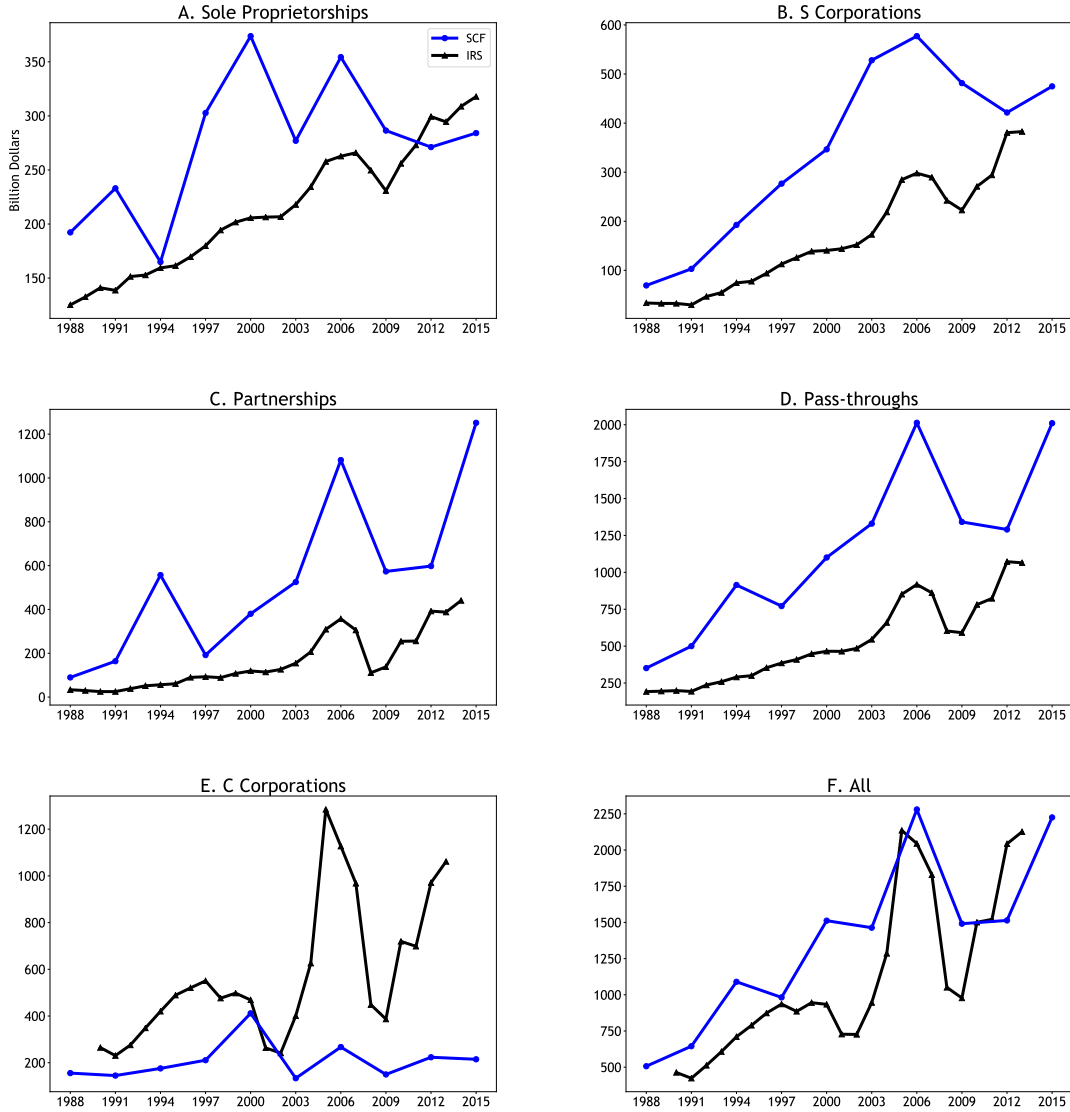
*Note:* This table shows moments of the net income yield distribution of unincorporated businesses in the PSID. The sample includes businesses with positive net worth and excludes the bottom 1st percentile of these businesses.

Table 7: Net Income Yields in the SIPP

Tax Year	Value-Weighted Mean	Equally Weighted Mean	p25	p50	p75
Sole Proprietorship					
2004	20.2	545.0	6.8	44.8	240.0
2005	19.4	727.7	4.5	41.2	240.0
2009	13.0	3043.1	0.2	24.0	203.3
2010	15.8	5916.6	0.2	31.0	240.0
2011	14.9	8878.2	0.5	29.2	188.0
Mean	16.7	3822.1	2.4	34.0	222.3
Partnership					
2004	25.1	605.9	0.6	29.2	220.0
2005	19.9	1271.2	0.3	22.6	189.1
2009	17.4	853.4	0.0	7.4	108.0
2010	21.3	2128.0	0.0	22.5	204.0
2011	18.9	1551.7	0.0	11.8	190.7
Mean	20.5	1282.0	0.2	18.7	182.4
Unincorporated					
2004	22.0	2936.2	6.4	45.7	260.0
2005	19.8	12590.7	4.0	40.4	250.0
2009	14.0	15353.1	0.1	22.5	202.5
2010	17.2	38737.5	0.1	30.8	240.0
2011	15.3	7971.4	0.3	26.7	197.8
Mean	17.6	15517.8	2.2	33.2	230.1

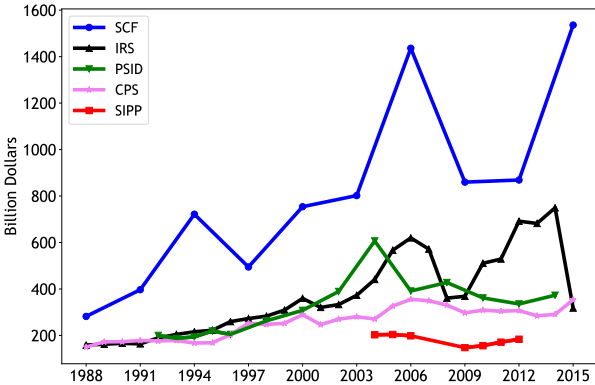
*Note:* This table shows moments of the net income yield distribution of sole proprietorships, partnerships, and unincorporated businesses in the SIPP 2004 and 2008 panels. Statistics are calculated for years where asset topical modules are available. The sample includes businesses with positive net worth and excludes the bottom 1st percentile of these businesses.

Figure 1: Business Income by Legal Status, SCF vs. IRS



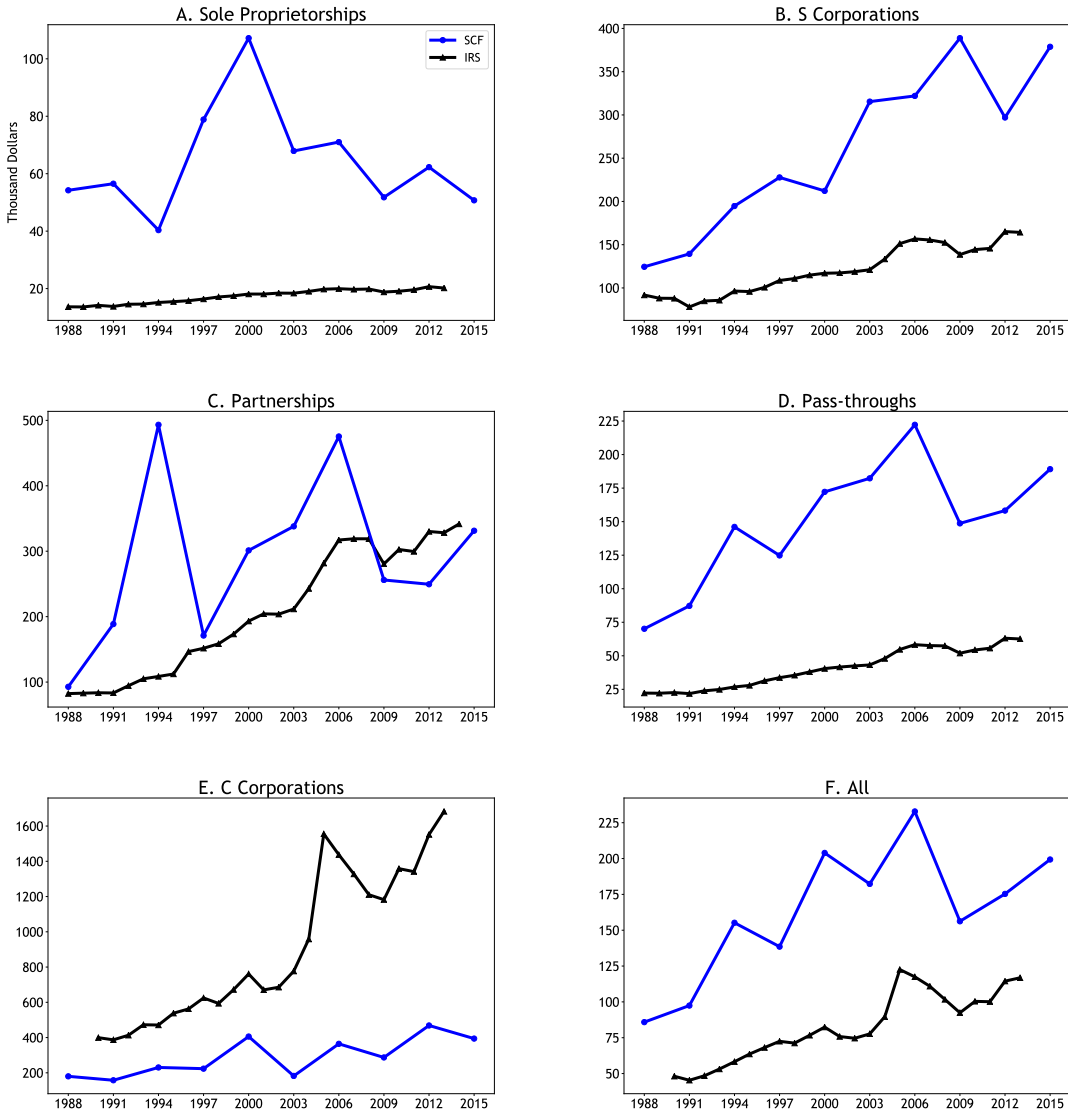
*Note:* This figure plots the total business income by legal status in the SCF and the IRS. Business income refers to income reported on Form 1040 Schedule C for sole proprietorships, Form 1065 for partnerships, Form 1120S for S corporations, and Form 1120 for C corporations. IRS data for partnerships, S corporations, and C corporations are available only until 2013, and C-corporation data start from 1990 because data for Form 1120 are not available for 1988 and 1989.

Figure 2: Total Unincorporated Business Income in SCF, SIPP, PSID, and CPS vs. IRS



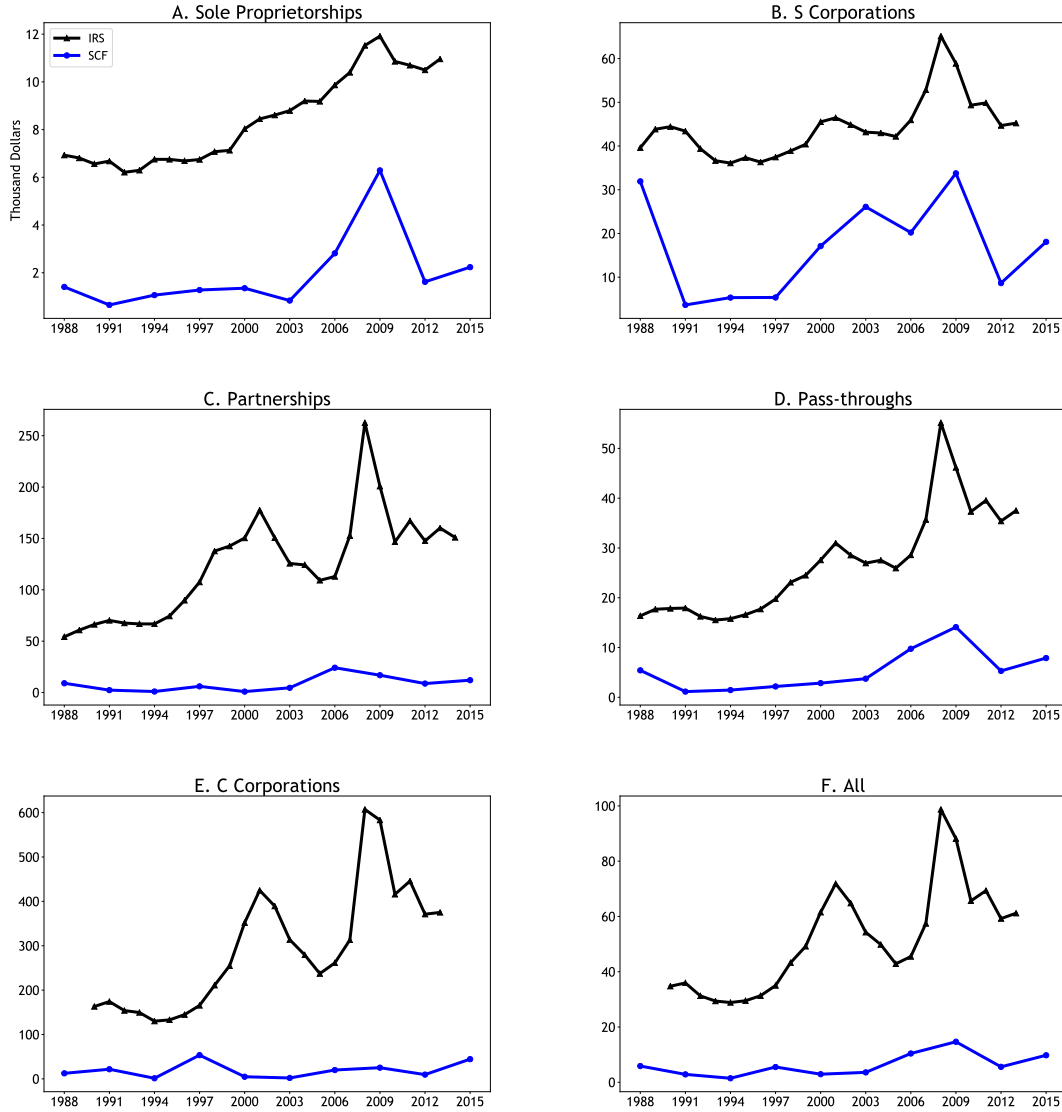
*Note:* This figure plots the total business income of unincorporated businesses in the SCF, SIPP, PSID, CPS, and IRS. Before 2004, the SIPP does not provide information about an individual’s own share of business income from an unincorporated business. Instead, it contains information about the total income of the business, which is not enough information to calculate the total business income of unincorporated businesses.

Figure 3: Business Income per Tax Return by Legal Status for Businesses with Net Income, SCF vs. IRS



*Note:* This figure plots the business income per tax return by legal status for businesses with net income in the SCF and IRS. Business income refers to income reported on Form 1040 Schedule C for sole proprietorships, Form 1065 for partnerships, Form 1120S for S corporations, and Form 1120 for C corporations. IRS data for sole proprietorships, partnerships, S corporations, and C corporations are available only until 2013, and C-corporation data start from 1990 because data for Form 1120 are not available for 1988 and 1989.

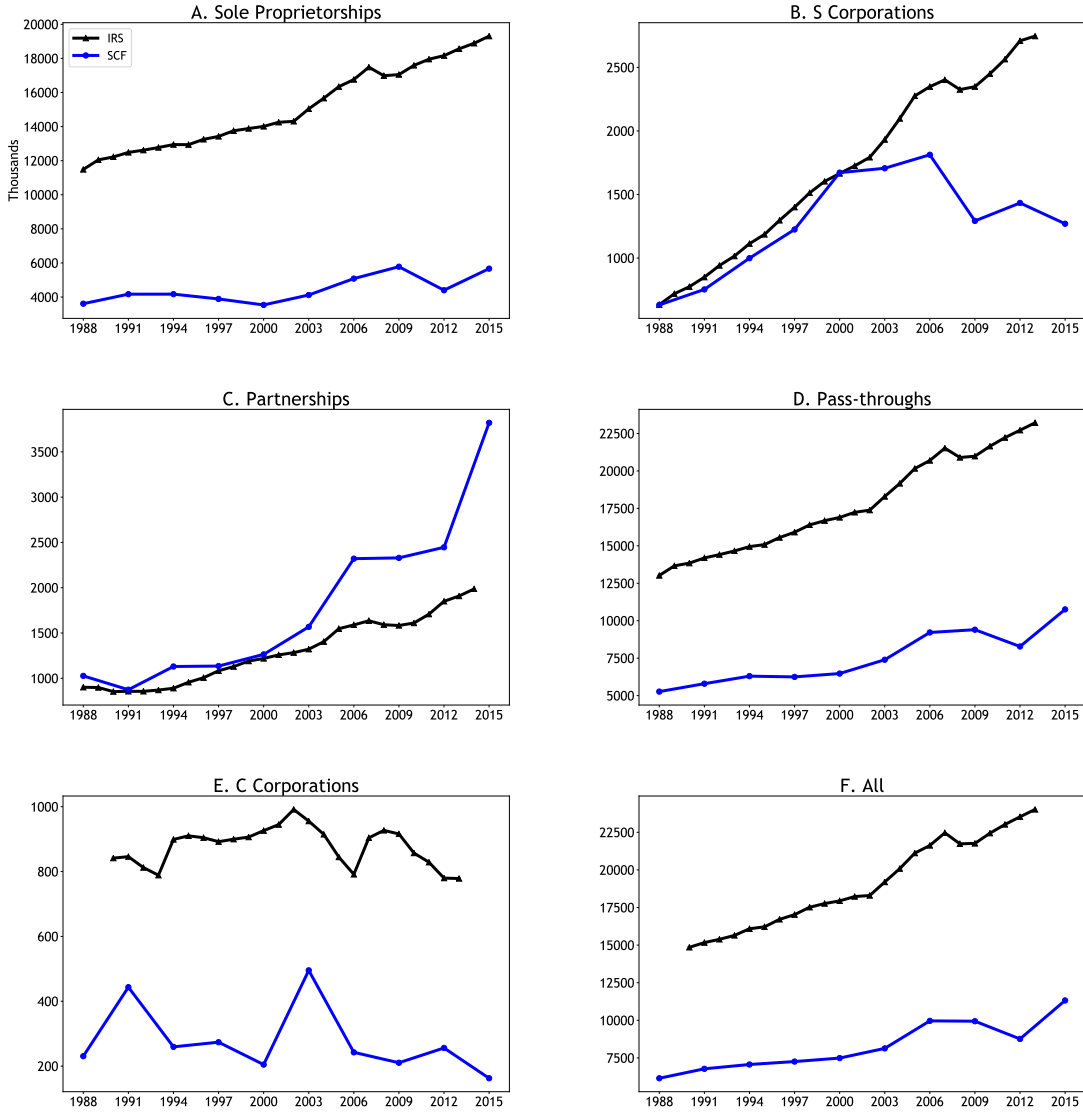
Figure 4: Business Income per Tax Return by Legal Status for Businesses with Net Loss, SCF vs. IRS



*Note:* This figure plots the business income per tax return by legal status for businesses with net loss in the SCF and IRS. Business income refers to income reported on Form 1040 Schedule C for sole proprietorships, Form 1065 for partnerships, Form 1120S for S corporations, and Form 1120 for C corporations. IRS data for sole proprietorships, partnerships, S corporations, and C corporations are available only until 2013, and C-corporation data start from 1990 because data for Form 1120 are not available for 1988 and 1989. Businesses with zero net income are included with those that have net losses.

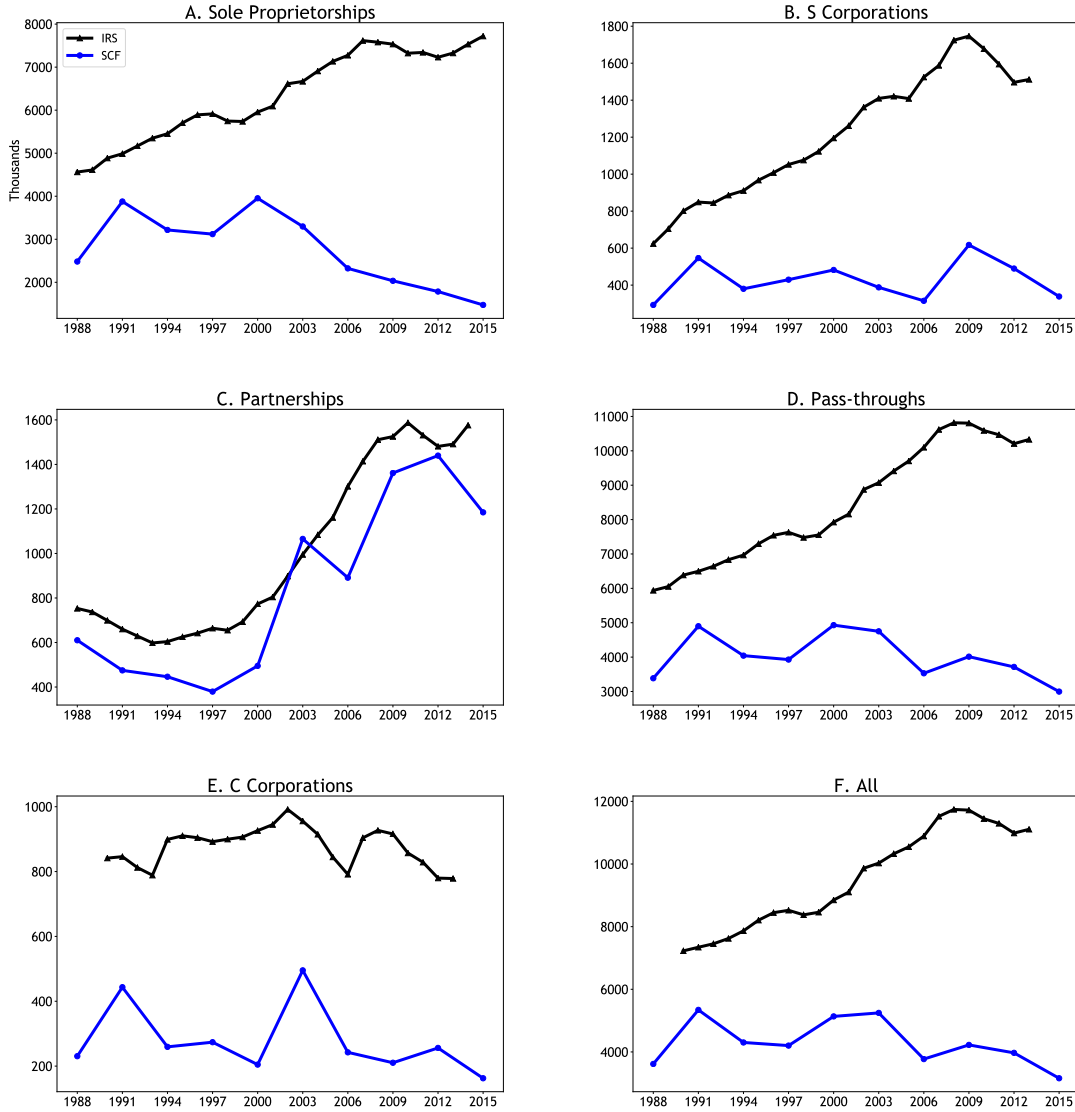


Figure 5: Number of Returns by Legal Status for Businesses with Net Income, SCF vs. IRS



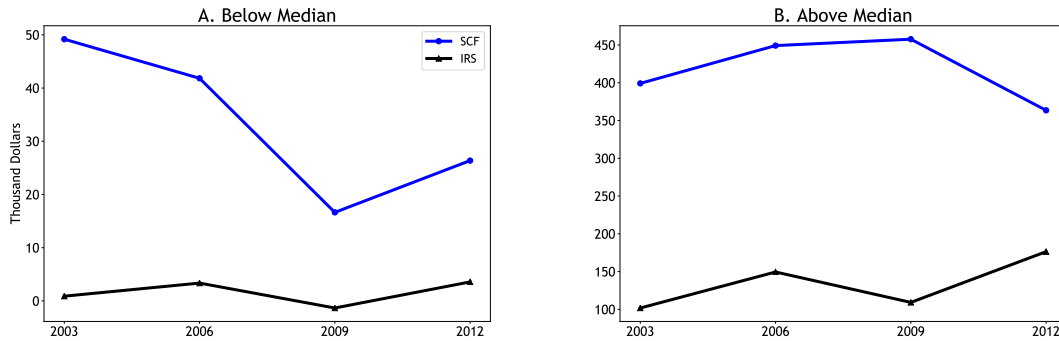
*Note:* This figure plots the number of business tax returns by legal status for business with net income in the SCF and the IRS. Business income refers to income reported on Form 1040 Schedule C for sole proprietorships, Form 1065 for partnerships, Form 1120S for S corporations, and Form 1120 for C corporations. IRS data for sole proprietorships, partnerships, S corporations, and C corporations are available only until 2013, and C corporations data starts from 1990 because data for Form 1120 is not available for 1988 and 1989.

Figure 6: Number of Returns by Legal Status for Businesses with Net Loss, SCF vs. IRS



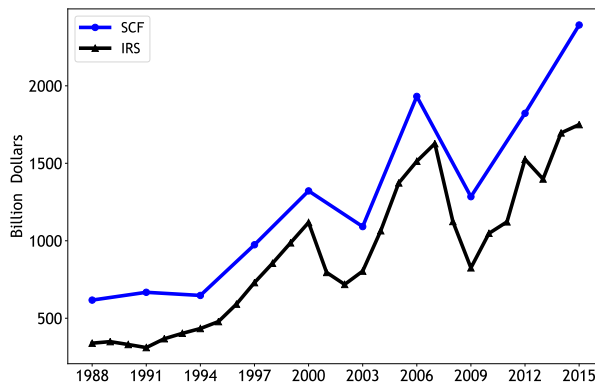
*Note:* This figure plots the number of business tax returns by legal status for businesses with net loss in the SCF and IRS. Business income refers to income reported on Form 1040 Schedule C for sole proprietorships, Form 1065 for partnerships, Form 1120S for S corporations, and Form 1120 for C corporations. IRS data for sole proprietorships, partnerships, S corporations, and C corporations are available only until 2013, and C- corporation data start from 1990 because data for Form 1120 are not available for 1988 and 1989. Businesses with zero net income are included with those that have net losses.

Figure 7: Distribution of S-Corporation Business Income per Return, SCF vs. IRS



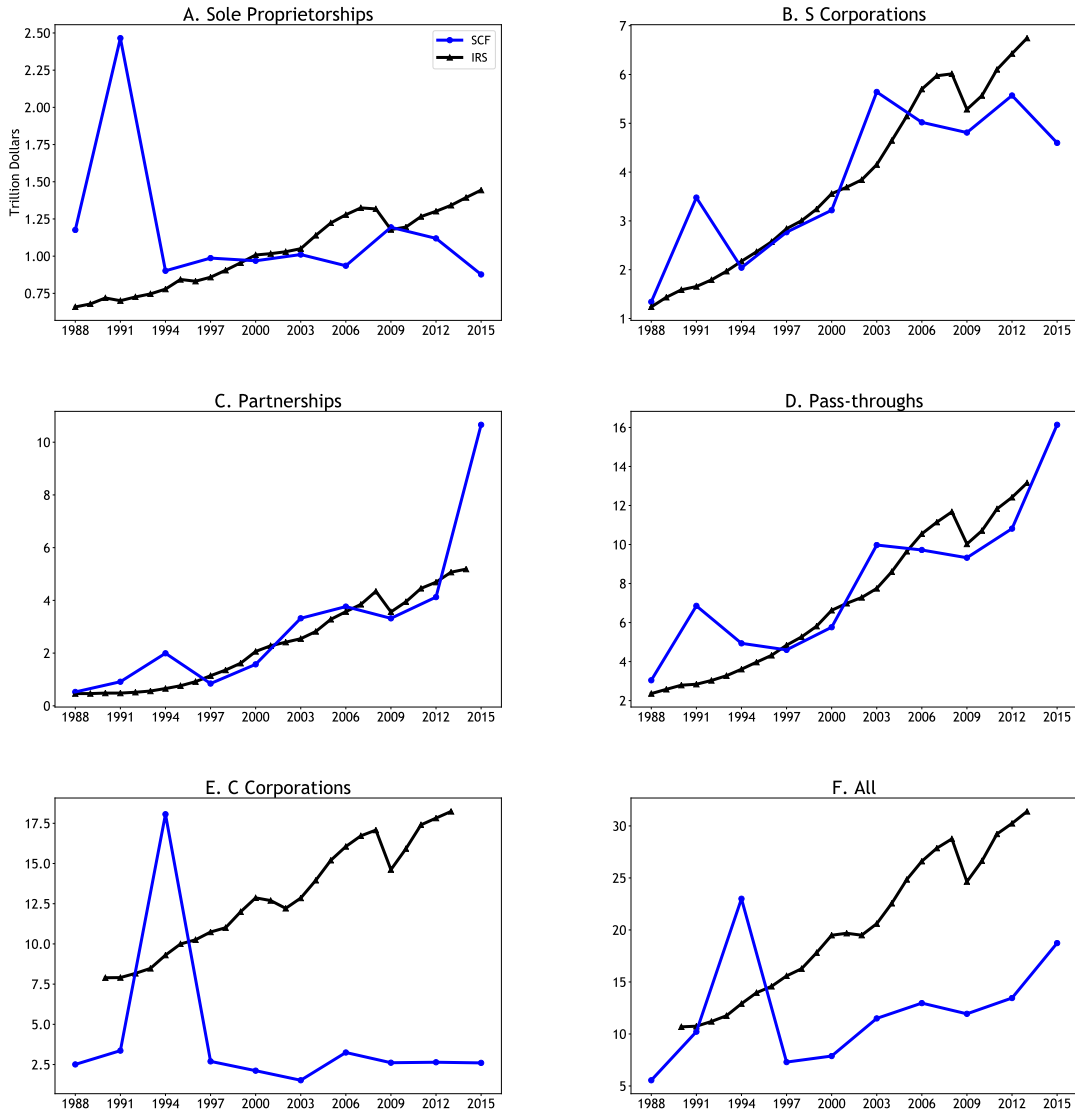
Note: This figure plots S-corporation business income per return for those with below- and above-median business receipts.

Figure 8: Broad Business Income, SCF vs. IRS



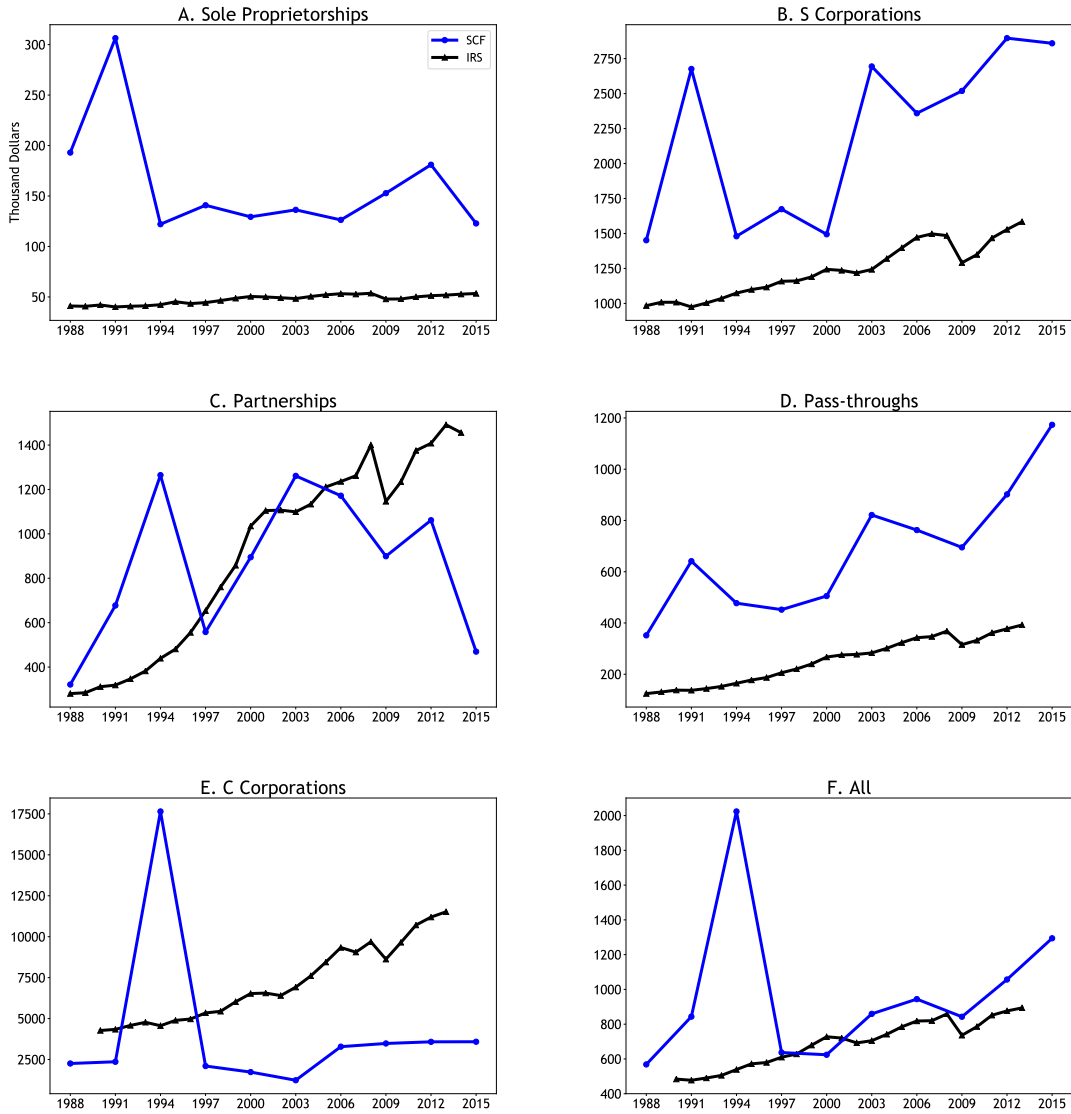
Note: This figure compares a broader measure of business income in the SCF and IRS. Broad business income is defined to be income derived from a business or profession (Form 1040 Schedule C) or farm (Form 1040 Schedule F); income from rental real estate, royalties, partnerships, S corporations, estates, trusts (Form 1040 Schedule E); and income from gains from the sale of capital and other property (Form 1040, lines 13 and 14).

Figure 9: Business Receipts by Legal Status, SCF vs. IRS



*Note:* This figure plots the total business receipts by legal status in the SCF and IRS. Business receipts refers to gross sales reported on Form 1040 Schedule C for sole proprietorships, Form 1065 for partnerships, Form 1120S for S corporations, and Form 1120 for C corporations. IRS data for partnerships, S corporations, and C corporations are available only until 2013, and C-corporation data start from 1990 because data for Form 1120 are not available for 1988 and 1989.

Figure 10: Business Receipts per Tax Return by Legal Status, SCF vs. IRS



*Note:* This figure plots the business receipts per tax return by legal status in the SCF and IRS. Business receipts refers to gross sales reported on Form 1040 Schedule C for sole proprietorships, Form 1065 for partnerships, Form 1120S for S corporations, and Form 1120 for C corporations. IRS data for partnerships, S corporations, and C corporations are available only until 2013, and C-corporation data start from 1990 because data for Form 1120 are not available for 1988 and 1989.