Frequently Asked Questions About Our Business Data:

1. *Is it possible to have companies in a more granular NAICS for a specified size range and not have any companies in the higher level NAICS?*
    -   Yes, for example, if your size class is 10-25 million in sales at NAICS 6 level companies could be in the query, however at a NAICS 5 level additional NAICS 6 industries could be included that bring the sales level to the 25-50 million in sales range. As a result, NAICS 5 will not have any companies included because they will not be in the 10-25 million sales range.

2. *There is a large difference in the numbers I am seeing for 2007 and 2008. Is this an error in the system?*
    -   In 2007, the government changed the NAICS codes. As a consequence, some businesses were reclassified. If you detect a large discontinuity between 2007 and 2008 historical data, this is the most likely cause. It is most readily visible in the company numbers and total market size figures. It is also more apparent at the NAICS 6 level (e.g., NAICS 325412) than the NAICS 5 level (e.g., NAICS 32541).

3. *Why are some industries available in 2007 and earlier years, but not in 2008 and later years?*
    -   Every five years, including 2002, 2007 and 2012, Census revises the NAICS industry classification system. The 2002 NAICS system was in use up to 2007. Starting in 2008, the 2007 NAICS system was in use. Some industries are born, cease to exist, merge into other industries, or break up into sub-industries. Thus, not all industries exist or remain intact across all years.

4. *What is the reason for the change in the number of companies from one year to the next?*
    -   Changes in the number of companies occur due to a number of reasons: growth or reduction in sales, assets or employees; businesses exiting or entering an industry and/or geographic region; and businesses being born or failing. Some years, the changes may be slight and other years due to a combination of these factors the changes may be more substantial.

5. *Why are not all industries covered by the IRS Statistics of Income (SOI) Division, Census Bureau, and Bureau of Labor Statistics (BLS) included in the Powerlytics database?*
    -   Powerlytics utilizes numerous U.S. government sources, primarily including the IRS, Census Bureau, and BLS. Not all industries are covered by all three agencies at the required granular geographic and industry levels. For this reason, certain industries have insufficient coverage from all three agencies to enable the provision of data. The NAICS codes of these industries are: 111, 221500, 482110, 524156, 524159, and 90.

6. *Is it possible that the number of companies will not add up across geographies and/or industries within a size class?*
    -   Yes, as companies are rolled up into larger geographic boundaries and industry groupings, their size may increase to parameters outside of the selected size range. As a result, companies may drop out of the parameters. For example, a query may return 115 companies in the Mid Atlantic Division and 118 in the New England Division. The same query may only contain 156 companies in the Northeast Region which is comprised of the Mid Atlantic and the New England Divisions, instead of the expected 233 companies; this would happen because of companies operating in both divisions. The same principal applies for individual locations as well.

7. *Why are certain line items listed but shown as NA in the benchmark column?*

- Several items are marked as NA in the Powerlytics database. These are items that are not typically part of operating income or are unusual balance sheet items. They are included to allow a company's full financial statements to be included. An example of this is "Special items" on the Income Statement. This can include items such as discontinued operations, extraordinary items and other items that are not part of operating income.

8. *Why do the company counts in the Powerlytics database differ at times from those published by the IRS Statistics of Income (SOI) Division?*
   - The IRS does not keep track of the ownership structure of companies, other than for the purposes of tax reporting. By contrast, Powerlytics tracks the ownership structure of companies via numerous government administrative sources. Powerlytics company counts reflect operating business establishments, which may inherently have complex ownership structures not reflected in tax records.

9. *How can a user analyze the industry of operation of a public company in the Powerlytics database?*
   - The Securities and Exchange Commission (SEC) classifies public companies according to a single SIC industry code. The Census Bureau, which oversees industry classification systems, assigns SIC codes to NAICS codes; however, sometimes a single SIC code is assigned to multiple NAICS codes, or multiple SIC codes are assigned to a single NAICS code. The Powerlytics database classifies industries based on their NAICS code. Powerlytics maintains a database of the SIC codes of public companies, and performs the assignment to NAICS codes using Census guidelines.

10. *When I run a query in your "Business Research Product", why do I have blank rows returned in my csv report file? Why are there so many of them?*
    Depending upon the selection of size filters, geographic scope and industry, it is quite common to produce a csv file that contains many hundreds of thousands of lines of data.

    To reduce the physical size of the output, Powerlytics has adopted two conventions:

    1. If no data is available for a particular selection of size, geography and industry sector, Powerlytics does not provide any rows of data as company averages for the selection do not exist.
    2. If the query does yield data for that particular selection, but the data is suppressed for confidentiality reasons (e.g. only one company is returned for a particular size/county/NAICS code selection), the rows corresponding to that selection are returned blank. A blank row is returned for every line item that cannot be reported. If the query asked for both an income statement and balance sheet, you would have approximately 80 line items and 80 rows of blank data. This way, the user knows that a result does exist for that combination, and this knowledge may itself be important (for example, in the situation where the researcher needs to know company counts).

11. *Why are Powerlytics national statistics not exactly the same for all line items and industries as those published by the IRS Statistics of Income (SOI) Division?*
    ▪ Two factors account for these differences. First, not all industries covered by IRS SOI are included in the Powerlytics database (see the related FAQ item). Second, IRS SOI uses particular line items (especially in "Other" categories) to make adjustments that ensure the income statements and balance sheets are consistent with other federally reported statistics – please see SOI documentation for details. By contrast, Powerlytics makes adjustments that ensure the income statements and balance sheets add up to the proper totals; the goal being to provide greater transparency and accuracy.

12. *Why are the changes in some benchmark data from year to year smaller when there are large samples sizes?*
    ▪ Statistically this is referred to as the "law of large numbers": when averages are calculated with large sample sizes, they tend to average to similar amounts. To see the full change from year to year, select the market size button.

13. *When I run a report on certain industry sectors, I do not get a result returned at all. Yet, I know that there are many businesses in that particular combination of size, geography and NAICS codes so there should be no confidentiality issues that arise.*
    ▪ Whenever a null result is returned, you should always go back and re-evaluate your size filters. If you filtered by employee range, try sales range. If you filtered by assets range, try employee range, etc.

14. *I just ran a query looking for data on Open-end investment funds (NAICS 52591) and no results were returned. What's going on?*
    ▪ Some industries have no sales, in which case you need to filter by employee or assets ranges. For example, NAICS 52591 and 525910 (Open-end investment funds) have no sales.

15. *What are the differences between the financial statement view and the tax view?*
    ▪ The tax view is an exact replica of the applicable tax form for the organization type selected (i.e., Corporations, Partnerships, or Sole Proprietorships). The financial statement view includes data from various tax schedules that are not part of taxable income, for example tax exempt interest. The financial statement view has not been adjusted for typical timing differences between items such as tax depreciation and book depreciation. This does not impact the trending of line items between years.

16. *How are income taxes calculated for corporations?*
    ▪ Due the granularity of the Powerlytics database, it is possible to have specific search parameters result in a small number of companies in the query. In some cases, those companies may have an unusual tax situation that skews the benchmark results. To avoid this problem and ensure the tax liability presented is an accurate representation of what is typical for that industry and size segment, Powerlytics has used tax percentages that reflect detailed industry, year, and size averages.

17. *How are income taxes calculated for partnerships?*
    ▪ Partnerships do not pay taxes on the Partnership tax form 1065. Partnership income is passed through to the individual tax return of the partners. As a result, Powerlytics has calculated partnership taxes at a rate of 26%.

18. *How is reporting handled for e-commerce companies, where there is no brick-and-mortar point of sale?*
    - Currently, the federal government allocates all sales for these types of companies to the company's headquarters operation. So you will need to take this into consideration when applying the location filter.

19. *To what location are e-commerce sales allocated for a company?*
    - Currently, the federal government allocates all e-commerce sales to the company's headquarters location.

20. *I just ran a report on NAICS 485113 (Bus and other motor vehicle transit systems) for sole proprietorships and no results were returned. What's happening?*
    - From the perspectives of both data consistency and classification, the transportation sector seems to have been problematic for the federal government. This is particularly the case for sole proprietorships and especially the smaller ones. Until this is resolved, we do not return results in some years for certain NAICS codes. This includes NAICS 485111, 485112, 485113, 485119, 485999, 486110, 486210, 486910, 486990 and 488111. However, the issues are year specific so you should try multiple years.

21. *I noticed an inconsistency between Powerlytics and Census establishment and company counts. What accounts for these differences?*
    - Some differences are due to industry coverage, as noted elsewhere in the FAQ. In addition, Census occasionally revises historical data on company and establishment counts. Powerlytics updates its datasets on a quarterly basis, at which point Census revisions to historical data are incorporated.

22. *In the Business Benchmarks Product: What happens if I select size range filters that are not continuous?*
    - The system joins the ranges selected to create one continuous range. For example, if the user selects $0-1M and $10-25M, then the report generated will cover the size range $0-25M.

23. *In the Business Benchmarks Product: What happens if I select Nonemployers and large employment size ranges?*
    - The system joins the ranges to create one continuous range. For example, if the user selects 10-19 employment range and selects to include Nonemployers, then the report generated will cover the size range 0 – 19 employees.

24. *In the Business Research Product: I created a Business Research report for companies selecting employment size classes and Nonemployers, but Nonemployers were not included in the report. What's going on?*
    - This is a bug in the system. Powerlytics is aware of the problem and is working on a fix.

25. *In the Business Research Product: What does Powerlytics use to create the list of metropolitan areas?*
    - Powerlytics uses the Census Bureau Statistics of U.S. Businesses (SUSB) as its master list of metropolitan areas.

26. *Does Powerlytics include data for Puerto Rico and the Island Areas?*
    - At this time, Powerlytics does not have data for Puerto Rico and the Island Areas (Guam, American Samoa, Commonwealth of the Northern Mariana Islands, Virgin Islands of the United States).

27. *Why are Powerlytics sales in a region (for example, a state) so much larger than GDP as calculated by the Bureau of Economic Analysis (BEA)?*
    - The BEA measure of GDP is based on the concept of economic value added, which is similar to the notion of profit. For example, if Industry A sells to Industry B, which in turn sells to Industry C (the end user), then Powerlytics would add up the sales of each of those industries, whereas GDP would capture the value added created by that supply chain.

28. What is the process by which Census assigns companies to industries?
    - Every five years, Census conducts the Economic Census, during which every company in the U.S. is assigned an industry. Every year, Census conducts fairly large surveys in which companies are assigned industries in part based on their prior industry classifications. Every quarter, Census conducts smaller surveys to update industry information.
29. How does Powerlytics keep track of the ownership structure of companies?
    - Census keeps track of the ownership structure of companies, partly from administrative records and partly from surveys, including the comprehensive Economic Census.
30. What is the source of information on employment?
    - This data comes from the Department of Labor and is collected quarterly from payroll records.
31. How does Powerlytics forecast the tax return data?
    - The IRS performs forecasts for internal and government budgeting purposes. Powerlytics utilizes IRS forecasts, as well as its own econometric time series models of the U.S. economy.

Frequently Asked Questions About Our Household Data:

1. *Why are some zip codes missing from the Powerlytics Household Dataset?*
    a. To ensure confidentiality, the IRS does not report statistics for zip codes that have fewer than 10 tax filers. Therefore, the Powerlytics household dataset does not include zip codes with fewer than 10 tax filers.

2. *How does the number of tax filers compare to the population at large?*
    a. Not every household or individual must file a tax return. Certain minimum income thresholds must be met to file a tax return.
    b. For 3 counties in the state of Virginia (Covington City, Galax City, and Bedford), Powerlytics found that the number of tax filers exceeds the population counts reported by Census. The number of filers provided by Powerlytics is based on tax records published by the IRS Statistics of Income Division.