

# RED TAPE

Government red tape binds American businesses much as the Lilliputians did Gulliver. According to the government's own calculations, the Federal red tape burden on the public totals 11.6 billion hours per year.

- Based on the U.S. population of 325 million, this burden amounts to 35 hours per person per year.
- If every hour of burden was an inch of red tape, the ribbon would be 183 thousand miles long -- enough red tape to wrap around the equator of the Earth 7 times.

The real burden is likely greater than the government's calculation, and it could be reduced by simply eliminating unnecessary, outdated and duplicative items.

Red tape describes regulatory mandates to keep records, to fill out government forms, and to send reports to government agencies. Red tape also includes government mandates to provide information to third parties -- employees and customers. The bureaucratic name for red tape is "information collection." Red tape is often the most obvious and annoying burden of the regulatory state, but its benefits are often questionable.

The government's paperwork mandates claim significant amounts of scarce time and resources. Red tape reduces productivity and slows economic growth, because compliance with recordkeeping and reporting mandates redirects scarce resources away from the actual production of goods and services.

The Paperwork Reduction Act (1980 and 1995) requires Federal agencies to submit their information collection rules to the Office of Management and Budget (OMB) Office of Information and Regulatory Affairs (OIRA).

- OIRA assigns a unique OMB Information Collection Clearance Number to each approved information collection program, without which no Federal information collection requirement can be legally enforced.
- The law requires every information collection requirement be reviewed and reapproved every three years, and the current clearance expiration date must be shown along-side the OMB Number on every form or information collection requirement notice.
- As part of the review and clearance process, agencies must submit an estimate of the time and cost burden imposed on the public by each information collection exercise.
- When information collections are submitted for approval or renewal, the public may submit comments to protest the need for the information collection or to question the hours and cost burden amount calculated by the sponsoring Federal agency.

Currently, there are 9,448 active OMB clearance numbered information collection programs. The number increases almost daily. There are 159 new red tape proposals under review at OIRA that are likely to be added to the list of mandates this year. About 3,000 active information collection mandates are reviewed and reapproved every year.

These red tape mandates affect businesses, individuals, states, local governments, schools, universities and non-profit organizations. For-profit businesses are subject to 5,760 information collection mandates. Of these, 1,202 have been identified as having particularly significant impacts on a substantial number of small businesses. Many of the others also apply to small businesses, as well.

Some Federal information collection items are easy to understand just based on the title: (OMB number and title).

1545-0028	Employer's Annual Federal Unemployment (FUTA) Tax Return (Form 940)
1140-0020	Firearms Transaction Record
2070-0151	Residential Lead-Based Paint Hazard Disclosure Requirements

But some red tape titles are notably odd:

0579-0160	Transportation of Equines to Slaughter Report
2060-0471	NESHAP for Solvent Extraction for Vegetable Oil Production Reporting
2130-0552	Locomotive Cab Sanitation Standards Recordkeeping
7100-0212	Suspicious Activity Report

Often one OMB number covers a group of related forms or record requirements. For example, OMB number 1545-0075 applies to IRS Form 1040 and to 274 other related IRS forms. There are tens of thousands of Federal forms carrying OMB information collection clearance numbers.

According to regulatory agencies' own calculations, the currently active information collections require a total of 11.6 billion hours of time by the public each year. Every year red tape requirements cost Americans \$117 billion in labor and other resources: This amounts to at least \$362 per person or 0.6% of GDP.

There is good reason to suspect that these red tape burden calculations by the regulatory agencies are optimistically too low. They seldom conduct experiments or pilot tests to measure the time it takes for respondents to compile and report information. Agencies typically base their calculations on guesswork.

For example, in the case of the recently revised Annual Employer Report required by the Equal Employment Opportunity Commission, the agency estimated that an employer could complete the 3,360 data items on the form in less than 3 hours, but the Chamber's survey of actual employers found that a more realistic estimate was 12 hours per form. The difference was, in part, because many data items would need to be retrieved and tabulated from separate records systems, a complication that the regulatory agency ignored.

These burdens are just for Federal red tape. State and local governments have their own red tape dispensers for which we have no reliable cost or benefit estimates whatsoever.

The size of the red tape burden suggests a great potential for reducing these costs, and thereby channeling possibly billions of dollars per year into job-creating and productivity enhancing investment alternatives. In many cases regulators' information needs can be met by sample surveys or less frequent reporting, instead of the annual universal reporting often now required.

We cannot rely on the regulatory bureaucrats to reduce red tape burdens voluntarily. They have little incentive to do so. Reducing red tape will require the affected public, especially the business community, to use the tools in the Paperwork Reduction Act to protest unnecessary, duplicative and inefficient information collection mandates.

The Chamber is leading the challenge against unreasonable red tape. On February 27, 2017, the Chamber filed a [petition](#) with OIRA to rescind the excessively burdensome and unjustified expansion of the EEOC's Annual Employer Report form.

This is the first in a series of articles detailing the excessive cost of Federal information collection red tape. Future articles will identify examples of unnecessary and overly-burdensome information collection mandates and identify the agencies most responsible for red tape burdens.

The Chamber welcomes information from readers about their experiences dealing with regulatory Red Tape. What Federal paperwork requirement affecting your business do you find most onerous? Send your suggestions and comments to **[Cut\\_Red\\_Tape@uschamber.com](mailto:Cut_Red_Tape@uschamber.com)**. Commenters' privacy and confidentiality will be protected.