CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

June 16, 1999

H.R. 435
Miscellaneous Trade and Technical Corrections Act of 1999

As cleared by the Congress on June 7, 1999

SUMMARY

H.R. 435 is an omnibus trade act that would reduce receipts through various changes to existing trade laws and would increase receipts by amending the IRS code with respect to the sale of a property subject to a liability. It would also increase both offsetting receipts collected by the Customs Service and the spending of such receipts. The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimate that H.R. 435 would increase governmental receipts by $6 million and decrease direct spending by $2 million over the 1999-2004 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The following table summarizes the estimated budgetary impact of H.R. 435. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the subsequent four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	-2	0	0	0	0	0	0	0	0	0
Changes in receipts	5	-19	3	4	6	7	8	9	10	12	13

Sources: Congressional Budget Office and the Joint Committee on Taxation.

Direct Spending

Subtitle B of title II would direct the U.S. Customs Service to collect a fee of $1.75 for each passenger aboard a commercial vessel arriving from Canada, Mexico, and certain other areas. CBO estimates that this provision would increase offsetting receipts by about $83 million over fiscal years 1999 through 2004. The Customs Service has permanent authority to spend these collections, however, and we expect the agency to spend the funds mostly in the year in which they are collected. Thus, the net change in outlays would be near zero in most years. Because the additional spending would occur slightly later than the additional income, this provision would reduce direct spending by a total of about $2 million over the 1999-2004 period.

Revenues

Title I of H.R. 435 would allow imports of 13.5-inch televisions to enter the United States duty-free by reclassifying them as 13-inch televisions. CBO estimates that the reclassification of 13.5-inch televisions would reduce governmental receipts by $2 million in fiscal year 1999 and by $66 million over the 1999-2004 period, net of payroll and income tax offsets.

Subtitle A of title II would temporarily suspend duties on numerous intermediary products and chemicals imported into the United States. CBO estimates that the provisions in subtitle A would each reduce governmental receipts by less than $500,000 each year, net of payroll and income tax offsets, and therefore would not have a significant impact on the budget.

CBO estimates that only three provisions in subtitle B of title II would have a significant impact on the budget. Section 2421, which would allow for reliquidations of certain customs entries, would reduce receipts by $1 million in fiscal year 2000. Section 2419, which would allow duty drawback for methyl tertiary-butyl ether (MTBE), would reduce receipts by less than $500,000 in fiscal year 1999 and by $5 million over the 1999-2004 period. Section 2420, which would amend current law as it relates to the substitution of finished petroleum derivatives, would decrease receipts by less than $500,000 in fiscal year 1999 and by $9 million over the 1999-2004 period.

Title III would amend the Internal Revenue Code with respect to property subject to liability. The JCT estimates that title III would increase governmental receipts by $7 million in fiscal year 1999 and by $87 million over the 1999-2004 period.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that H.R. 435 will be enacted by July 1, 1999, and that refunds of customs duties will not be paid out until October 1, 1999, or later. The estimate of the revenue impact of reclassifying 13.5-inch televisions is based on an estimate provided by the U.S. International Trade Commission (ITC). CBO adjusted that estimate to account for the narrower range of products covered in H.R. 435 and assumed the revenue loss would grow at the rate CBO projects for total nonpetroleum imports. Estimates of the provisions relating to MTBE and finished petroleum derivatives are based on the historical volume of imports, CBO's projection of imports, and information and estimates provided by the U.S. Customs Service. The estimates of the impact of the remaining revenue provisions in H.R. 435 are based on estimates provided by the ITC and the U.S. Customs Service, on recent data on the collections of customs duties, and on information from various industry sources. The estimate of the revenue provision in title III was provided by the JCT.

Based on information from the Customs Service, CBO estimates that the $1.75 fee would apply to about 8 million passengers in fiscal year 2000, the first full year after enactment, and that the number would increase to almost 12 million by 2004. Thus, additional fees would total about $14 million in 2000 and would grow to about $20 million by 2004. We expect the Customs Service to spend these funds mostly in the year in which they are collected, so the net change in outlays would be near zero in most years.

ESTIMATE PREPARED BY:

Revenues: Hester Grippando
Direct Spending: Mark Grabowicz

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis

Robert A. Sunshine
Deputy Assistant Director for Budget Analysis