CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 4, 2000

H.R. 4868
Miscellaneous Trade and Technical Corrections Act of 2000

As reported by the Senate Committee on Finance on September 27, 2000

SUMMARY

H.R. 4868 would make technical corrections and miscellaneous amendments to certain trade laws. CBO estimates that each of the provisions in the act that would affect rates of duty would reduce governmental receipts (revenues) by less than $500,000 each year. Each of the provisions that would affect direct spending would increase such spending by less than $500,000 each year. Other provisions in the act that would alter treatment for certain products relative to current trade law would reduce receipts by $15 million in 2001, by $38 million over the 2001-2005 period, and by $73 million over the 2001-2010 period. Because H.R. 4868 would affect direct spending and receipts, pay-as-you-go procedures would apply.

H.R. 4868 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. H.R. 4868 would impose private-sector mandates on persons engaged in business activities involving products that contain cat or dog fur and persons engaged in the importation of certain foreign produced cigarettes. CBO estimates that the direct costs of those mandates would not exceed the annual threshold for private-sector mandates established by UMRA ($109 million in 2000, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4868 is shown in the following table. The act would reduce federal revenues and would increase federal spending slightly in budget functions 750 (administration of justice) and 600 (income security).

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
CHANGES IN REVENUES					
Duty Suspensions and Reductions	a	a	a	a	a
Refunds of Customs Duties	-10	0	0	0	0
Treatment of Certain Imported Goods	a	a	a	a	a
Extension of PNTR[b] to Georgia	a	a	a	a	a
Imports and Exports of Certain Cigarettes	-5	-5	-6	-6	-6
Total Changes in Revenues	-15	-5	-6	-6	-6
CHANGES IN DIRECT SPENDING OUTLAYS					
Customs Fees	a	a	a	a	a
Trade Adjustment Assistance	a	a	a	a	a
Total Changes in Direct Spending	a	a	a	a	a

a. Less than $500,000.
b. Permanent normal trade relations.

BASIS OF ESTIMATE

Revenues

Title I would make various changes to certain trade laws. Subtitle A would create or extend temporary duty suspensions or reductions on certain intermediary products and chemicals imported into the United States. CBO estimates that each of these provisions would reduce government revenues by less than $500,000 each year, net of income and payroll tax offsets. Subtitle B would provide for refunds of customs duties paid on certain imported products. CBO estimates that the majority of these provisions would reduce government revenues by less than $500,000 each year, net of income and payroll tax offsets.

One provision of subtitle B would provide for the refund of customs duties paid on certain athletic shoes. Based on information from the U.S. Customs Service, CBO estimates that this provision would reduce government revenues by $9 million in 2001, net of income and payroll tax offsets, with no additional reductions over the 2002-2010 period. Certain other provisions of subtitle B would provide for the refund of customs duties paid on certain entries of tomato sauce preparation. Based on information from the Customs Service, CBO estimates that these provisions would reduce government revenues by $2 million in 2001, net of income and payroll tax offsets, with no additional reductions over the 2002-2010 period.

In addition, title I would alter treatment of certain imported goods in several ways. It would prohibit the importation of products made with cat and dog fur, would allow refunds of customs duties for certain imported products that are then recycled, and exempt the personal effects of participants in international athletic events from any customs duties. CBO estimates that each of these provisions would reduce government revenues by less than $500,000 each year, net of income and payroll tax offsets. This estimate is based on information from the International Trade Commission, the U.S. Customs Service, and various other trade sources.

Title III would allow the President to grant permanent normal trade relations (PNTR) to Georgia. Georgia has been found to be in full compliance with the Jackson-Vanik freedom of emigration requirements and has been granted normal trade relations (NTR), subject to a semiannual review and disapproval by a joint resolution of Congress. Without PNTR, the United States could not trade with Georgia under the World Trade Organization (WTO). Because Georgia acceded to the WTO on June 14, 2000, revenues could increase due to less restrictive quotas on textiles and apparel once PNTR was established. However, CBO estimates any such duties would be negligible.

Title IV would impose restrictions on exports and imports of certain categories of cigarettes. It would require that all imported cigarettes comply with requirements detailing their ingredients, as well as certain labeling and trademark requirements. Based on information from the Federal Trade Commission, the International Trade Commission, the Joint Committee on Taxation, and various other sources, CBO estimates that this provision would reduce revenues by $5 million in 2001, by $29 million over the 2001-2005 period, and by $63 million over the 2001-2010 period.

Direct Spending

Title I would authorize the Customs Service to collect fees for the arrival of certain ferries and to establish a fee-for-service agreement to provide certain services at the Fort Lauderdale-Hollywood International Airport. The Customs Service is authorized to spend these fees without further appropriations action, so CBO estimates that the net impact of these provisions would be less than $500,000 in each year.

Title II would make a small number of workers eligible to receive trade adjustment assistance benefits. These workers were originally authorized to receive benefits under certification number TA-W-31,402 but did not lose their jobs right away. Under current law, these workers have a limited time after the petition for certification is accepted in which to apply for these benefits. The act would remove any limitation on the period during which benefits could be received. CBO estimates that providing trade adjustment assistance benefits to these workers would cost less than $200,000 over the 2001-2010 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up procedures for legislation affecting receipts or direct spending. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. (The outlay effects would total less than $500,000 a year.) For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in receipts	-15	-5	-6	-6	-6	-6	-7	-7	-7	-8
Changes in outlays	0	0	0	0	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4868 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R 4868 would impose private-sector mandates on persons engaged in business activities involving products that contain cat or dog fur and persons engaged in the importation of certain foreign produced cigarettes. CBO estimates that the direct costs of those mandates would not exceed the annual threshold for private-sector mandates established by UMRA ($109 million in 2000, adjusted annually for inflation).

First, the act would impose a mandate by prohibiting all commercial activities occurring in the United States that involve products made with cat or dog fur. Such activities include the importing, exporting, merchandising, and transporting of these goods. According to the Humane Society, within the United States there is no manufacture of products fabricated of dog and cat fur. Currently, the Department of Commerce classifies products made of cat and dog fur into categories with goods made of certain other animal skins. In 1999, the United States imported and exported $36 million worth of products within these categories. Since products made with cat and dog fur represent a fraction of these values, the direct cost of complying with this mandate measured in lost net income would fall well below the annual threshold established by UMRA.

Second, the act would impose a mandate by prohibiting the importation of certain foreign-produced cigarettes. According to the International Trade Commission, the United States imported $106 million worth of cigarettes in 1999. Historically, the foreign-source cigarettes that would be prohibited account for no more than 16 percent of the total value of imported cigarettes, based on information provided by a tobacco company representative and the Florida Attorney General's Office. Moreover, the income of persons or business engaged in importing such cigarettes would be a fraction of those values. Consequently, CBO estimates that the direct cost of complying with this mandate would fall well below the annual threshold established by UMRA.

PREVIOUS CBO ESTIMATE

On July 25, 2000, CBO transmitted a cost estimate of H.R. 4868 as ordered reported by the House Committee on Ways and Means on July 19, 2000. This estimate reflects the addition of several provisions to the House version of H.R. 4868, particularly those provisions dealing with the refund of customs duties on certain athletic shoes and with the restrictions on exports and imports of certain cigarettes. These changes would further reduce revenues, relative to the House version of H.R. 4868, by $15 million in 2001, by $38 million over the 2001-2005 period, and by $73 million over the 2001-2010 period.

ESTIMATE PREPARED BY:

Revenues: Erin Whitaker
Customs Fees: Mark Grabowicz
Trade Adjustment Assistance: Paul Cullinan
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis