CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

October 30, 2000

H.R. 4868
Tariff Suspension and Trade Act of 2000

As cleared by the Congress on October 26, 2000

SUMMARY

H.R. 4868 would make technical corrections and miscellaneous amendments to certain trade laws. CBO estimates that all but one of the provisions in the act that would affect rates of duty would reduce governmental receipts (revenues) by less than $500,000 each year. CBO also estimates that 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 $26 million in 2001, by $75 million over the 2001-2005 period, and by $146 million over the 2001-2010 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The net changes of H.R. 4868 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. 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	2006	2007	2008	2009	2010
Changes in receipts	-26	-12	-12	-12	-13	-13	-14	-14	-15	-15
Changes in outlays	0	0	0	0	0	0	0	0	0	0

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 all but one of these provisions would reduce government revenues by less than $500,000 each year, net of income and payroll tax offsets. The remaining provision in subtitle A would create a temporary duty suspension on 11-Aminoundecanoic acid, and would reduce government revenues by almost $1 million in 2001, by about $2 million over the 2001-2005 period, with no additional reductions over the 2006-2010 period. 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.

Another provision of subtitle B would allow for a refund of customs duties on certain categories of petroleum derivatives under an additional subsection of the Tariff Act of 1930 to those allowed under current law. Based on information from the Customs Service and private-sector sources, CBO estimates that this provision would reduce government revenues by $10 million in 2001, by $33 million over the 2001-2005 period, and by $70 million over the 2001-2010 period, net of income and payroll tax offsets. The provision would also prohibit a reclassification of certain articles on a Harmonized Tariff Schedule (HTS) basis from altering the definition of those articles as commercially interchangeable with goods classified under the aforementioned subsection of the Tariff Act of 1930. As this portion of the provision would affect only future changes to the HTS, CBO estimates that it would have no effect on revenues relative to current law.

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, exempt the personal effects of participants in international athletic events from any customs duties, and allow the importation of gum arabic from Sudan. 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 $28 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 appropriation 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. Title II also would set the pay rate for the Chief Agricultural Negotiator of the United States at level III of the Executive Schedule. CBO estimates that providing that rate of pay to the Chief Agricultural Negotiator would cost less than $200,000 a year.

ESTIMATE PREPARED BY:

Revenues: Erin Whitaker
Customs Fees: Mark Grabowicz
Trade Adjustment Assistance: Paul Cullinan
Pay for Chief Agricultural Negotiator: James Langley

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis

and

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis