



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 4, 2008

H.R. 5264

An act to extend the Andean Trade Preference Act

*As cleared by the Congress on February 28, 2008,
and signed by the President on February 29, 2008*

SUMMARY

H.R. 5264 (enacted as Public Law 110-191) extends the provisions of the Andean Trade Preference Act (ATPA) and certain customs user fees. It also shifts certain corporate estimated tax payments from 2014 to 2013.

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimate that the act will reduce revenues by \$82 million in 2008, increase revenues by \$110 million over the 2009-2013 period, and decrease revenues by \$37 million over the 2009-2018 period. CBO also estimates that H.R. 5246 will increase offsetting receipts (which are a credit against direct spending) by \$120 million in 2015. Thus, the net impact of the legislation is a reduction in deficits (or increase in surpluses) of \$1 million over the 2008-2018 period. (The act will not affect the budget in 2018; thus the estimated net impact is also a savings of \$1 million over the 2008-2017 period.)

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5264 is shown in the following table. Spending under this legislation falls within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars											2009- 2009-	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018
CHANGES IN REVENUES													
Extension of the Andean Trade Preference Act	-82	-37	0	0	0	0	0	0	0	0	0	-37	-37
Change in Timing of Certain Corporate Estimated Tax Payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>147</u>	<u>-147</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>147</u>	<u>0</u>
Total Estimated Changes	-82	-37	0	0	0	147	-147	0	0	0	0	110	-37
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	0	0	0	0	0	0	0	-120	0	0	0	0	-120
Estimated Outlays	0	0	0	0	0	0	0	-120	0	0	0	0	-120

Note: Positive changes in revenues and negative changes in direct spending correspond to decreases in budget deficits.

Sources: Congressional Budget Office and Joint Committee on Taxation.

Revenues

Under the act, the ATPA trade preferences, which were scheduled to expire on February 29, 2008, are extended for 10 months, through December 31, 2008. First enacted in 1991 and later expanded in 2002, the ATPA provides reduced-duty or duty-free access to certain U.S. imports from Bolivia, Colombia, Ecuador, and Peru. (A free trade agreement with Peru, which is currently being implemented, would eventually supersede that country's ATPA preferences). Based on recent import history from the relevant countries and CBO's forecast of total imports, CBO estimated the future customs value of imports and an effective tariff rate for the composition of those imports under the ATPA, yielding a projection of customs duties after the law change. CBO then compared that projection for customs duties with its projection for duties in the absence of such trade preferences. CBO estimates that extension of the trade preferences will decrease revenues from customs duties by \$82 million in 2008 and \$37 million in 2009, net of income and payroll tax offsets.

Additionally, the act shifts revenues between 2013 and 2014. For corporations with at least \$1 billion in assets in 2013, the bill increases the portion of corporate estimated tax payments due in July through September of that year. JCT estimates that this change will increase revenues by \$147 million in 2013 and decrease revenues by \$147 million in 2014.

Direct Spending

Prior to enactment of H.R. 5264, customs user fees, which include both Consolidated Omnibus Budget Reconciliation Act of 1985 fees and merchandise processing fees, would have expired after December 13, 2014. H.R. 5264 extends the customs user fees through December 27, 2014. CBO estimates that this provision will increase offsetting receipts by \$120 million in fiscal year 2015.

ESTIMATE PREPARED BY:

Federal Revenues: Zachary Epstein
Federal Spending: Mark Grabowicz

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis

Peter H. Fontaine
Assistant Director for Budget Analysis