CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 11, 2006

H.R. 4944
Miscellaneous Trade and Technical Corrections Act of 2006

As passed by the House of Representatives on March 15, 2006

SUMMARY

H.R. 4944 is an omnibus trade act that would, in aggregate, reduce receipts and increase outlays by making various changes to trade law. These changes include suspending or reducing duties on specific products, refunding duties already paid on certain entries (reliquidation), extending an expiration date of the African Growth and Opportunity Act (AGOA), and numerous other changes. One provision is expected to increase receipts slightly by clarifying tax law regarding an exemption from excise taxes on tobacco.

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimate that the legislation would decrease governmental receipts by $14 million in 2006, by $270 million over the 2007-2011 period, and by $285 million over the 2007-2016 period. CBO also estimates that the legislation would increase outlays by $3 million in 2006.

CBO has determined that H.R. 4944 would impose a private-sector mandate, as defined in the Unfunded Mandates Reform Act (UMRA), on certain importers. While the act would temporarily reduce or suspend tariff duties on hundreds of goods, saving millions of dollars for the private sector, it also would impose a mandate on certain importers by raising the tariff duties on certain chemicals imported into the United States. CBO expects that the direct cost of the mandate would be less than $1 million over the 2007-2011 period, which falls well below the annual threshold established by UMRA for private-sector mandates ($128 million in 2006, adjusted annually for inflation). JCT has reviewed the one tax provision of H.R. 4944 and determined that it contains no private-sector mandates.

CBO and JCT have determined that H.R. 4944 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The following table summarizes the estimated budgetary impact of the legislation.

	By Fiscal Year, In Millions of Dollars										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CHANGES IN REVENUES											
Title I: Tariff Provisions											
New Duty Suspensions and Reductions	-14	-59	-61	-62	-16	0	0	0	0	0	0
Extensions of Existing Suspensions and Reductions	*	-16	-21	-21	-5	0	0	0	0	0	0
Liquidation or Reliquidation of Certain Entries	*	0	0	0	0	0	0	0	0	0	0
Miscellaneous Provisions	1	1	1	1	1	1	1	1	1	1	1
Title II: Other Trade Provisions	0	0	0	-4	-4	-4	-4	-5	-5	-5	0
Total Changes	-14	-74	-82	-87	-24	-3	-3	-4	-4	-4	1
CHANGES IN DIRECT SPENDING											
Liquidation or Reliquidation of Certain Entries											
Estimated Budget Authority	3	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	3	0	0	0	0	0	0	0	0	0	0

NOTE: Components may not sum to totals because of rounding.
* = Loss of less than $500,000

BASIS OF ESTIMATE

For the purpose of this estimate, CBO and JCT assume that H.R. 4944 will be enacted by July 1, 2006.

Title I would reduce or suspend the duties on various products imported into the United States, and it would provide additional tariff relief through reliquidation. It also would make various other changes to the Harmonized Tariff Schedule of the United States. Duties on almost 400 products would be newly suspended or reduced by subtitle A. Those products include certain chemical compounds, manufactured goods, and footwear. Based on information from the U.S. International Trade Commission (ITC), CBO estimates that these provisions would decrease revenues by $213 million over the 2006-2010 period. (The suspensions and reductions would be effective through December 31, 2009.)

The legislation would also temporarily extend over 150 other previously enacted duty suspensions and reductions through December 31, 2009. CBO estimates that extending those lower duty rates would reduce revenues by $64 million between 2006 and 2010. In total, CBO estimates subtitle A would reduce governmental receipts by $278 million over the 2006-2010 period.

Subtitle B of title I would liquidate or reliquidate certain entries of goods imported into the United States, effectively providing refunds of duties paid on previously imported products. CBO estimates that the liquidation and reliquidation provisions would reduce governmental receipts by less than $500,000 in 2006. Because these provisions require the government to pay interest, in addition to refunding duties paid, CBO estimates that they would also increase outlays by $3 million in 2006. Most of the outlay effect comes from a provision that would require interest to be paid on certain duties, totaling about $1.8 million, that were refunded pursuant to prior miscellaneous trade bills.

Additionally, subtitle B includes several miscellaneous trade provisions that CBO estimates would, all in all, have a positive impact on revenues. The positive effect (as estimated by JCT) is mostly generated by a provision that would amend the Internal Revenue Code to clarify what constitutes a delivery sale of tobacco products, for tax and enforcement purposes. The miscellaneous provisions contained in subtitle B would increase revenues by about $1 million in 2006 and by $9 million over the 2007-2016 period.

Title II includes a number of other trade provisions. Mainly, the effective date for the duty-free treatment of certain textiles and apparel under AGOA would be changed from September 30, 2008, to September 30, 2015. CBO estimates that this change would reduce revenues by $31 million over the 2009-2015 period.

CBO bases its estimates of the revenue impact of suspending or reducing duty rates on its most recent projections of non-petroleum imports and on more detailed data from the ITC. The estimates for the remaining revenue provisions in the bill are based on estimates provided by the ITC, on recent data on the collections of customs duties, and on information from various industry sources. Consistent with standard procedures for estimating the revenue impact of indirect business taxes, the gross impact on revenues from customs duties is reduced by 25 percent to reflect offsetting effects on income and payroll tax receipts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

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CBO and JCT have determined that H.R. 4944 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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