CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 4, 2015

H.R. 1907
Trade Facilitation and Trade Enforcement Act of 2015

As ordered reported by the House Committee on Ways and Means on April 23, 2015

SUMMARY

H.R. 1907 would amend various trade statutes with the goal of strengthening agency enforcement efforts and improving the efficiency of the regulatory process. The bill would:

- Authorize the appropriation of $154 million annually over the 2016-2018 period for the Automated Commercial Environment program in Customs and Border Protection (CBP);

- Require the International Trade Administration (ITA) to develop a system to investigate allegations of antidumping and countervailing duty evasion and would require CBP to improve and expand several trade regulation programs;

- Extend the authority to collect and increase the rate of certain customs user fees;

- Improve the claims process for refunds on duties paid for certain imported merchandise and increase the minimum value of goods for which duties must be paid; and

- Increase the amount available for distribution to eligible parties under the Continued Dumping and Subsidy Offset Act (CDSOA).

CBO estimates that enacting the bill would reduce revenues by $203 million over the 2015-2025 period and reduce direct spending by $4 million over the same period, resulting in a net increase in deficits over the 11-year period of $199 million. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. In addition, assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 1907 would cost $944 million over the 2016-2020 period.

H.R. 1907 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), and would impose no costs on state, local, or tribal governments.

H.R. 1907 contains private-sector mandates on entities required to pay merchandise processing fees. CBO estimates the aggregate cost of the mandates would exceed the annual threshold established in UMRA for private-sector mandates ($154 million in 2015, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 1907 is shown in the following table. The costs of this legislation fall within budget functions 370 (advancement of commerce) and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-2020	2015-2025
CHANGES IN DIRECT SPENDING[a]													
Customs User Fees													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	-204	0	-204
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	-204	0	-204
Payment of Interest on Certain Distributions Under the Continued Dumping and Subsidy Offset Act													
Estimated Budget Authority	0	20	21	22	23	25	27	21	17	13	11	111	200
Estimated Outlays	0	20	21	22	23	25	27	21	17	13	11	111	200
Total Changes													
Estimated Budget Authority	0	20	21	22	23	25	27	21	17	13	-193	111	-4
Estimated Outlays	0	20	21	22	23	25	27	21	17	13	-193	111	-4
CHANGES IN REVENUES													
Change in De Minimis Value	-3	-14	-15	-15	-16	-17	-17	-18	-19	-20	-22	-80	-176
Drawback Procedures	0	0	-2	-3	-3	-3	-3	-3	-3	-3	-4	-11	-27
Total Changes	-3	-14	-17	-18	-19	-20	-20	-21	-22	-23	-26	-91	-203
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Impact on Deficit	3	34	38	40	42	45	47	42	39	36	-167	202	199

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TABLE CONTINUED.

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-2020	2015-2025
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
Automated Commercial Environment													
Authorization Level	0	154	154	154	0	0	0	0	0	0	0	461	461
Estimated Outlays	0	108	154	154	46	0	0	0	0	0	0	461	461
CBP Trade Programs and Reports													
Estimated Authorization Level	0	48	88	90	93	96	98	101	104	107	110	415	936
Estimated Outlays	0	43	84	90	93	95	98	101	104	107	110	405	925
Investigation of Evasion of Trade Remedy Laws													
Estimated Authorization Level	0	9	18	19	19	19	20	20	21	21	22	84	188
Estimated Outlays	0	7	15	18	19	19	20	20	21	21	22	78	180
Total Changes													
Estimated Authorization Level	0	210	260	263	112	115	118	121	125	128	132	960	1,585
Estimated Outlays	0	157	253	261	158	114	118	121	124	128	131	944	1,566

Notes: This estimate assumes H.R. 1907 is enacted by July 1, 2015; * = between zero and $500,000. For direct spending, negative numbers indicate a decrease in outlays; for revenues, negative numbers indicate a reduction in revenues. Components may not sum to totals because of rounding.

CBP = Customs and Border Protection.

a. On April 23, 2015, the House Committee on Ways and Means approved a package of three trade bills: H.R. 1891, H.R. 1907, and H.R. 1892. For the purposes of this estimate, CBO assumes that H.R. 1891 will be enacted before H.R. 1907. (H.R. 1891 would extend the authority to charge merchandise processing fees from September 30, 2024, through July 7, 2025.)

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1907 will be enacted by July 1, 2015.

Direct Spending

CBO estimates that enacting H.R. 1907 would increase direct spending by $111 million over the 2015-2020 period and would decrease spending by $4 million over the 2015-2025 period.

Customs User Fees. Under current law, the authority to charge merchandise processing fees collected by CBP will expire after September 30, 2024. H.R. 1907 would permit those fees to be collected during the period beginning July 8, 2025, and ending July 28, 2025. The bill also would raise the rate of the merchandise processing fee from 0.21 percent to

0.3464 percent of the value of goods entering the U.S. for the period beginning July 1, 2025, and ending July 14, 2025. CBO estimates those actions would increase offsetting receipts (certain collections that are treated as reductions in direct spending) by $204 million in fiscal year 2025. To project collections of merchandise processing fees, CBO assumes that the fees collected in future years will grow at the same rate seen in recent years—about 5 percent. In 2014 collections from the merchandise processing fee totaled $2.3 billion. By 2024 CBO estimates those collections will total about $2.7 billion under current law. CBO expects that the proposed increase in the fee rate would have a very minor effect on the value of goods entering the U.S.

Payment of Interest on Certain Distributions Under the Continued Dumping and Subsidy Offset Act. H.R. 1907 would increase the amount available for distribution to eligible parties under CDSOA. Under current law, CBP distributes antidumping and countervailing (ADCV) duties that were assessed on or after October 1, 2000, on goods that entered the United States before October 1, 2007, to domestic parties that meet the program's eligibility requirements. Based on information from CBP, CBO estimates that enacting this provision would increase direct spending by $200 million over the 2015-2025 period.

H.R. 1907 would direct CBP to include in the amount distributed to eligible parties interest earned on certain delinquent accounts. Specifically, in cases where CBP pursues payment of ADCV duties through litigation with sureties that provided customs bonds to guarantee payment, court-ordered interest received above the bond amount would be added to the distribution. This additional amount would apply only to cases where distributions are made on or after enactment of H.R. 1907, from court-ordered payments received from sureties after October 1, 2014.

Under current law, upon receipt of a court-ordered settlement in CDSOA cases, CBP first deposits into the Treasury any interest that accrued during the period of delinquency and litigation; any amounts that remain after that are available for distribution to eligible parties. Under H.R. 1907, those interest amounts currently deposited in the Treasury would instead be spent.

The CBP has 30 cases currently in litigation for delinquent ADCV duties due from sureties, dating as far back as 2009; based on the agency's experience with similar litigation, we expect it will take about six years for all of those cases to conclude. Further, we expect that CBP will bring an additional 15 cases against sureties for payment of delinquent duties over the next five years and that CBP will receive payment for those additional cases by the end of 2025.

Based on the average amount of delinquent ADCV duties and the average amount of bond coverage associated with those 30 cases, CBO estimates that CBP will collect about $250 million from sureties over the 2015-2025 period from court-ordered awards. Further, based on the length of time that typically elapses between the point when duties become delinquent until completion of the judicial proceedings, we estimate that about 80 percent of that amount, $200 million, will represent accrued interest that will be deposited into the Treasury. By making interest collections payable to entities that are eligible to receive distributions, CBO estimates that enacting H.R 1907 would increase direct spending by that amount.

Revenues

CBO estimates that enacting H.R. 1907 would decrease revenues by $91 million over the 2015-2020 period and by $203 million over the 2015-2025 period.

Change in De Minimis Value. Under current law, importers are not required to pay duties on shipments with a total value of $200 or less. H.R. 1907 would increase that de minimis value to $800. According to the U.S. Customs and Border Patrol, in recent years duties collected on goods where each shipment was valued between $200 and $800, averaged $17 million a year. Considering that history and including anticipated growth in the value of imported goods, CBO estimates that raising the de minimis level to $800 would result in a revenue loss of $176 million over the 2015-2025 period, net of income and payroll tax offsets.

Drawback Procedures. When goods imported into the country are later exported or destroyed, the import duties originally paid for those goods may be refunded. In addition, the exporting or destroying of substitute goods—goods that are comparable to such imports—may also qualify for such refunds. H.R. 1907 would modify the claims process for such refunds—which are known as "drawbacks"—with the goal of simplifying the process. The most notable changes to the claims process include the following:

- Requiring the use of existing category codes to identify which goods may qualify as substitutes for the purposes of drawbacks,

- Standardizing and, in some cases, extending the period during which drawback claims may be filed, and

- Eliminating the requirement for paper documentation in certain drawback claims.

In 2014, roughly $470 million in duties on imported merchandise was refunded in cases where substitutable goods were later exported. Based on information from CBP, and allowing for an initial period to write new regulations, CBO estimates that enacting H.R. 1907 would increase refunds, and therefore decrease revenues, by $27 million over the 2015-2025 period.

Penalties. H.R. 1907 would require customs brokers to maintain records of the identity of their clients. It would also require non-resident importers to designate an agent in the United States with the power of attorney. The bill would prescribe monetary penalties for violations of those requirements. Under current law, CBP has broad authority to regulate the activities of customs brokers and importers, as well as assess monetary penalties for statutory or regulatory violations. Based on information from CBP, CBO expects that any additional monetary penalties resulting from enforcement of the new requirements would be insignificant. Similarly, CBO estimates that any change in customs duties that could result from those requirements would also be insignificant.

Spending Subject to Appropriation

For this estimate, CBO assumes that the necessary appropriations will be provided each year and that spending will follow historical patterns for these programs. Under those assumptions we estimate that implementing H.R. 1907 would cost $944 million over the 2015-2020 period.

Automated Commercial Environment. H.R. 1907 would authorize the appropriation of $154 million annually over the 2016-2018 period for the Automated Commercial Environment (ACE), a trade management system operated by CBP. For fiscal year 2014, $141 million was appropriated for ACE. CBO estimates that implementing this provision would cost $461 million over the 2016-2019 period.

CBP Trade Programs and Reports. H.R. 1907 would direct CBP to improve and expand several trade enforcement and facilitation programs, including validation of new importers and protection of copyrights and intellectual property rights. The bill also would require about a dozen new reports to the Congress relating to trade issues, mostly from CBP and the Government Accountability Office. Based on preliminary information from Customs and the costs of similar activities, we estimate that the additional programs and reports would cost $405 million over the 2015-2020 period, mostly to hire new CBP employees.

Investigation of Evasion of Trade Remedy Laws. Title IV would require the ITA to develop a system to investigate allegations of antidumping and countervailing duty evasion. Those investigations would be opened based on reports that are supported by reasonable evidence, and must be completed within 300 days of initiation. Based on information from the ITA, CBO expects that the agency would establish a new unit to carry out the investigations, which are separate from current efforts to administer antidumping and countervailing duty laws.

CBO assumes that the agency would ultimately add 82 staff positions, at an average cost of about $240,000 per year including salaries, benefits, and overhead, to carry out the new requirements. CBO estimates that implementing these provisions of H.R. 1907 would cost $78 million over the 2015-2020 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 1907, as ordered reported by the House Committee on Ways and Means on April 23, 2015

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-2020	2015-2025
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	3	34	38	40	42	45	47	42	39	36	-167	202	199
Memorandum:													
Changes in Outlays	0	20	21	22	23	25	27	21	17	13	-193	111	-4
Changes in Revenues	-3	-14	-17	-18	-19	-20	-20	-21	-22	-23	-26	-91	-203

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1907 contains no intergovernmental mandates as defined in UMRA, and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1907 would impose private-sector mandates, as defined in UMRA, on entities required to pay merchandise processing fees. The bill would extend those fees for the period July 8, 2025, through July 28, 2025, and raise the fee rate beginning July 1, 2025, and ending July 14, 2025. CBO estimates that the incremental cost of the fees would amount to $204 million in 2025. Thus, the aggregate cost of the mandates would exceed the annual threshold established in UMRA for private-sector mandates in that year ($154 million in 2015, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs: Mark Grabowicz and Susan Willie
Federal Revenues: Ann Futrell and Nate Frentz
Impact on State, Local, and Tribal Governments: Jon Sperl
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Theresa Gullo
Assistant Director for Budget Analysis