# Congressional Budget Office
## Cost Estimate

July 29, 2024

## At a Glance

### H.R. 7986, Generalized System of Preferences Reform Act

**As ordered reported by the House Committee on Ways and Means on April 17, 2024**

| By Fiscal Year, Millions of Dollars | 2024 | 2024-2029 | 2024-2034 |
|---|---|---|---|
| Direct Spending (Outlays) | 0 | 0 | -10,838 |
| Revenues | 0 | -6,971 | -8,336 |
| Increase or Decrease (-) in the Deficit | 0 | 6,971 | -2,502 |
| Spending Subject to Appropriation (Outlays) | 0 | 1 | 1 |

| | |
|---|---|
| Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035? | No |
| Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035? | No |
| Statutory pay-as-you-go procedures apply? | Yes |

**Mandate Effects**

| | |
|---|---|
| Contains intergovernmental mandate? | No |
| Contains private-sector mandate? | Yes, Over Threshold |

**The bill would**

- Retroactively extend reduced duties on goods imported under the government's program of Generalized System of Preferences (GSP) through December 31, 2030
- Modify GSP eligibility requirements
- Extend current customs user fees through September 30, 2033
- Impose a private-sector mandate on U.S. importers by requiring them to remit customs user fees through 2033, rather than 2031

**Estimated budgetary effects would mainly stem from**

- Retroactively extending GSP duties and modifying certain requirements
- Extending customs user fees

**Detailed estimate begins on the next page.**

See also
*CBO's Cost Estimates Explained*, *CBO Describes Its Cost-Estimating Process*, *Glossary*

## Bill Summary

H.R. 7986 would reauthorize and extend, through December 31, 2030, the program of reduced or free duties specified under the Generalized System of Preferences (GSP) for certain goods imported from about 120 eligible countries. Those preferences expired on December 31, 2020. The bill also would reinstate the preferential rates retroactively from the bill's effective date and would allow importers to receive refunds for the higher duties they paid after the preferences expired.

H.R. 7986 also would periodically increase rule-of-origin requirements, so that to retain GSP eligibility a larger portion of any product would need to be produced within the eligible country. The bill also would increase the maximum value of a single product that could be imported under GSP duty rates from a single country, and would change the administrative review process for extending or revoking GSP eligibility for certain products and countries.

Finally, H.R. 7986 would extend the authorization for customs user fees through September 30, 2033; those fees are set to expire on September 30, 2031.

## Estimated Federal Cost

The estimated budgetary effect of H.R. 7986 is shown in Table 1. The costs of the legislation fall within budget functions 150 (international affairs) and 750 (administration of justice).

## Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted around the end of fiscal year 2024. Estimated outlays are based on historical spending patterns for similar projects and programs.

### Direct Spending and Revenues

H.R. 7986 would reauthorize and extend the reduced or free duties specified under the GSP through December 31, 2030. The bill would also amend several program requirements and would reinstate preferential rates retroactively, allowing importers to receive refunds for the higher duties they paid after the program expired on December 31, 2030. Using data from the U.S. International Trade Commission, CBO estimates that reauthorizing the GSP, with the bill's updates to the program's requirements, would reduce revenues by $8.3 billion over the 2024-2034 period. Of that amount, CBO estimates that issuing refunds for the higher duties paid after the preferences expired would total $2.4 billion.

H.R. 7986 would extend the authorization for collections of customs user fees for two years through September 30, 2033. Those fees, which are set to expire at the end of fiscal year 2031, are collected by Customs and Border Protection to cover some of the costs of inspecting people and cargo entering the country. The fees are classified in the budget as mandatory offsetting collections, that is, as reductions in direct spending. CBO estimates that extending the fees would reduce direct spending by $10.8 billion over the 2024-2034 period.

**Table 1.**
**Estimated Budgetary Effects of H.R. 7986**

| | By Fiscal Year, Millions of Dollars | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2024-2029 | 2024-2034 |
| **Decreases in Direct Spending** | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -5,280 | -5,533 | -25 | 0 | -10,838 |
| Estimated Outlays | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -5,280 | -5,533 | -25 | 0 | -10,838 |
| **Decreases in Revenues** | | | | | | | | | | | | | |
| Estimated Revenues | 0 | -2,942 | -964 | -990 | -1,023 | -1,052 | -1,085 | -280 | 0 | 0 | 0 | -6,971 | -8,336 |
| **Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues** | | | | | | | | | | | | | |
| Effect on the Deficit | 0 | 2,942 | 964 | 990 | 1,023 | 1,052 | 1,085 | 280 | -5,280 | -5,533 | -25 | 6,971 | -2,502 |
| **Increases in Spending Subject to Appropriation** | | | | | | | | | | | | | |
| Estimated Authorization | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0. | 1 | 1 |
| Estimated Outlays | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0. | 1 | 1 |

**Spending Subject to Appropriation**
H.R. 7986 would change the administrative review process for extending or revoking GSP eligibility for certain products and countries. Using information from the U.S. International Trade Commission, CBO estimates that updating the eligibility review process would cost $1 million over the 2024-2029 period to administer, process, and report on new claims. Any related spending would be subject to the availability of appropriated funds.

## 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 Table 2.

**Table 2.**
**CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 7986, the Generalized System of Preferences Reform Act, as Ordered Reported by the House Committee Ways and Means on April 17, 2024**

By Fiscal Year, Millions of Dollars

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2024-2029 | 2024-2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pay-As-You-Go Effect | 0 | 2,942 | 964 | 990 | 1,023 | 1,052 | 1,085 | 280 | -5,280 | -5,533 | -25 | 6,971 | -2,502 |
| **Memorandum:** | | | | | | | | | | | | | |
| Changes in Outlays | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -5,280 | -5,533 | -25 | 0 | -10,838 |
| Changes in Revenues | 0 | -2,942 | -964 | -990 | -1,023 | -1,052 | -1,085 | -280 | 0 | 0 | 0 | -6,971 | -8,336 |

## Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 7986 would not increase net direct spending or deficits in any of the four consecutive 10-year periods beginning in 2035.

## Mandates

H.R. 7986 would impose a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) on importers by extending customs user fees on imported and exported goods by two years, to 2033. The cost of the mandates would be the amounts paid by U.S. importers. CBO estimates the additional fees would cost importers more than $5 billion annually for two years. As a result, CBO estimates that the cost of the mandate would exceed the threshold established in UMRA for private-sector mandates ($200 million in 2024, adjusted annually for inflation).

This bill would impose no intergovernmental mandates as defined in UMRA.

## Estimate Prepared By

Federal Costs: Jeremy Crimm

Revenues: Emma Uebelhor

Mandates: Grace Watson

## Estimate Reviewed By

Justin Humphrey
Chief, Finance, Housing, and Education Cost Estimates Unit

Joshua Shakin
Chief, Revenue Projections Unit

Kathleen FitzGerald
Chief, Public and Private Mandates Unit

H. Samuel Papenfuss
Deputy Director of Budget Analysis

John McClelland
Director of Tax Analysis

## Estimate Approved By

Phillip L. Swagel
Director, Congressional Budget Office