Congressional Budget Office
Cost Estimate

August 16, 2024

At a Glance

H.R. 7979, End China's De Minimis Abuse 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	-48	-72
Revenues	0	10,013	23,526
Increase or Decrease (-) in the Deficit	0	-10,061	-23,598
Spending Subject to Appropriation (Outlays)	0	15	not estimated

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, Under Threshold

The bill would

- Revoke de minimis eligibility—the option to import certain goods worth less than $800 without paying customs duties
- Require importers to report the 10-digit Harmonized Tariff Schedule code for any goods imported from China
- Create new civil penalties for using the de minimis exception to import goods that would be ineligible under the bill
- Impose private-sector mandates on importers

Estimated budgetary effects would mainly stem from

- Additional collections of customs revenues and customs user fees
- Administrative costs for Customs and Border Protection

Areas of significant uncertainty include

- Projecting the volume of goods that would be subject to customs duties and customs user fees under the bill

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. 7979 would revoke de minimis eligibility; that is, the ability to import certain goods worth less than $800 without paying customs duties. Specifically, any imports of goods that are subject to tariffs under section 201, section 232, or section 301 of the Trade Act of 1974 would no longer be eligible. Currently, goods subject to those tariffs include certain products from China, solar panels, and steel and aluminum products, with some exceptions for specific countries and goods. In addition, the bill would codify current practice by revoking de minimis eligibility for goods that are subject to antidumping and countervailing duties and would revoke eligibility for importers who split a single order into multiple shipments to avoid the $800 threshold.

The bill also would require importers to report the 10-digit Harmonized Tariff Schedule code for any products imported from China, regardless of their de minimis eligibility. Finally, the bill would establish a new civil penalty for any person who uses or attempts to use the de minimis exception for a product that would no longer be eligible under this bill.

Estimated Federal Cost

The estimated budgetary effect of H.R. 7979 is shown in Table 1. The costs of the legislation fall within budget function 750 (administration of justice).

Table 1.
Estimated Budgetary Effects of H.R. 7979

	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	-5	-8	-11	-12	-12	-12	-12	0	0	0	-48	-72
Estimated Outlays	0	-5	-8	-11	-12	-12	-12	-12	0	0	0	-48	-72
Increases in Revenues													
Estimated Revenues	0	1,028	1,763	2,248	2,459	2,515	2,577	2,639	2,701	2,767	2,829	10,013	23,526
Net Decrease in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	-1,033	-1,771	-2,259	-2,471	-2,527	-2,589	-2,651	-2,701	-2,767	-2,829	-10,061	-23,598
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	5	2	2	3	3	n.e.	n.e.	n.e.	n.e.	n.e.	15	n.e.
Estimated Outlays	0	5	2	2	3	3	n.e.	n.e.	n.e.	n.e.	n.e.	15	n.e.

n.e.= not estimated.

Basis of Estimate

CBO's estimate assumes that the bill will be enacted late in fiscal year 2024 and that the estimated amounts will be available each year.

The estimate is based on CBO's projection of the volume of imports entering the country and the value of those goods, as well as CBO's expectation of how firms and importers will respond to the bill's changes to the de minimis exception.

Revenues

Using data from Customs and Border Patrol (CBP), CBO estimates that approximately $27 billion worth of goods that would otherwise be subject to the tariffs were imported under the de minimis exception in 2023. On that basis, we estimate that enacting the bill would increase revenues from customs duties by about $24 billion over the 2024-2034 period.

Additionally, the government might collect civil penalties from importers that use or attempt to use the de minimis exception for an ineligible product. Those penalties are recorded in the budget as revenues. CBO estimates that enacting H.R. 7979 would increase civil penalty collections by less than $500,000 over the 2024-2034 period.

Direct Spending

Under current law, goods that enter the country under the de minimis exception are not subject to customs user fees. By eliminating that exception for certain imports, H.R. 7979 would increase collections of those fees. Customs user fees are collected by CBP to cover some of the costs of inspecting people and cargo entering the country. The fees are recorded in the budget as mandatory offsetting collections—that is, as reductions in direct spending. Under current law, customs user fees are set to expire at the end of fiscal year 2031. CBO estimates that H.R. 7979 would reduce direct spending by $72 million over the 2024-2034 period.

Spending Subject to Appropriation

CBO expects that CBP would need to make improvements to its automated system for collecting and processing import data in order to accommodate the additional volume of data under the bill. Based on the costs of similar projects, CBO estimates that CBP would incur a onetime cost of $3 million to make those improvements and would need about $2 million annually for data storage and system maintenance. In total, CBO estimates, implementing H.R. 7979 would cost $15 million over the 2024-2029 period. Any related spending would be subject to the availability of appropriated funds.

Uncertainty

CBO's estimate is subject to significant uncertainty, particularly for the future volume and value of those goods that would be subject to customs duties and user fees under the bill, as well as how importers respond to the bill's requirements. If the actual volume or value differs from CBO's estimates, the revenues could be larger or smaller than CBO estimates.

In addition, the way in which businesses choose to import goods that would no longer be eligible for the de minimis exception under the bill would affect the collection of customs user fees. Thus, CBO's estimate of those fees could be larger or smaller than CBO's estimate, depending on how those businesses respond.

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. 7979, the End China's De Minimis Abuse Act, as Ordered Reported by the House Committee on 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
					Decreases in Direct Spending								
Pay-As-You-Go Effect	0	-1,033	-1,771	-2,259	-2,471	-2,527	-2,589	-2,651	-2,701	-2,767	-2,829	-10,061	-23,598
Memorandum:													
Decreases in Outlays	0	-5	-8	-11	-12	-12	-12	-12	0	0	0	-48	-72
Increases in Revenues	0	1,028	1,763	2,248	2,459	2,515	2,577	2,639	2,701	2,767	2,829	10,013	23,526

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 7979 would not increase net direct spending or deficits in any of the four consecutive 10-year periods beginning in 2035.

Mandates

H.R. 7979 would impose a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) on importers by requiring them to remit duties on goods that otherwise could be imported duty-free under the de minimis exception. The cost of the mandate would be the amounts paid by U.S. importers. As discussed above, CBO estimates the bill would result in importers remitting more than $1 billion in additional duties in the first two years, and more than $2 billion each year over the next eight 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 contains no intergovernmental mandates as defined in UMRA.

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