CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 3, 1999

S. 262
Miscellaneous Trade and Technical Corrections Act of 1999

As ordered reported by the Senate Committee on Finance on January 22, 1999

SUMMARY

S. 262, the Miscellaneous Trade and Tariff Act of 1999, is an omnibus trade bill that would reduce receipts through various changes to existing trade laws, increase receipts by amending the IRS code with respect to the sale of a property subject to a liability, and increase both offsetting receipts collected by the Customs Service and the spending of such receipts. The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimate that S. 262 would increase governmental receipts by $4 million and decrease direct spending by $3 million over the 1999-2004 period. Because enacting S. 262 would affect receipts and direct spending, pay-as-you-go procedures would apply.

S. 262 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The bill would impose two new private-sector mandates by establishing a new fee on passengers arriving in the United States aboard certain commercial vessels and by changing the treatment of property subject to liability. The costs of the new mandates would not exceed the threshold specified in UMRA ($100 million in 1996, adjusted annually for inflation) in fiscal years 1999 through 2004.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The following table summarizes the estimated budgetary impact of S. 262.

Summary of Estimated Budgetary Effects of S. 262

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
CHANGES IN REVENUES						
Estimated Revenues						
Trade Provisions	-24	-11	-11	-12	-13	-14
Revenue Offset	7	12	14	16	18	20
Net Changes in Revenues	-17	1	3	4	6	7
CHANGES IN DIRECT SPENDING						
Additional Customs Fees						
Estimated Budget Authority	-3	-14	-15	-17	-18	-20
Estimated Outlays	-3	-14	-15	-17	-18	-20
Additional Spending						
Estimated Budget Authority	3	14	15	17	18	20
Estimated Outlays	3	13	15	17	18	20
Net Impact on Direct Spending						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	a	-2	a	a	a	a

Sources: Joint Committee on Taxation and Congressional Budget Office.

a. Outlay savings of less than $500,000.

Revenues

Title I of the bill would allow imports of 13.5-inch televisions to enter the United States duty-free by reclassifying them as 13-inch televisions. CBO estimates that the reclassification of 13.5-inch televisions would reduce governmental receipts by $66 million over fiscal years 1999 through 2004, net of payroll and income tax offsets.

Subtitle A of Title II would temporarily suspend duties on numerous intermediary products and chemicals imported into the United States. CBO estimates that the provisions in Subtitle

A would each reduce governmental receipts by less than $500,000 each year, net of payroll and income tax offsets, and therefore would not have a significant impact on the budget.

CBO estimates that only three provisions in Subtitle B of Title II would have a significant impact on the budget: section 2421, which would allow for reliquidations of certain customs entries, would reduce receipts by $1 million in fiscal year 1999; section 2419, which would allow duty drawback for methyl tertiary-butyl ether (MTBE), would reduce receipts by $6 million over fiscal years 1999 through 2004; and section 2420, which would amend current law as it relates to the substitution of finished petroleum derivatives, would decrease receipts by $10 million over fiscal years 1999 through 2004.

Title III would amend the Internal Revenue Code with respect to property subject to liability. The JCT estimates that Title III would increase governmental receipts by $87 million over fiscal years 1999 through 2004.

Direct Spending

Subtitle B of Title II would direct the U.S. Customs Service to collect a fee of $1.75 for each passenger aboard a commercial vessel arriving from Canada, Mexico, and certain other areas. CBO estimates that this provision would increase offsetting receipts by about $87 million over fiscal years 1999 through 2004. The Customs Service has permanent authority to spend these collections, however, and we expect the agency to spend the funds mostly in the year in which they are collected. Thus, the net change in outlays would be near zero in most years. Because the additional spending would occur slightly later than the additional income, this provision would reduce direct spending by a total of about $3 million over the 1999-2004 period.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that S. 262 will be enacted by March 1, 1999. The estimate of the revenue impact of reclassifying 13.5-inch televisions is based on an estimate provided by the U.S. International Trade Commission (ITC). CBO adjusted that estimate to account for the narrower range of products covered in S. 262 and assumed the revenue loss would grow at the rate CBO projects for total non-petroleum imports. Estimates of the provisions relating to MTBE and finished petroleum derivatives are based on the historical volume of imports, CBO's projection of imports, and information and estimates provided by the U.S. Customs Service. The estimates of the impact of the remaining revenue provisions in S. 262 are based on estimates provided by the ITC and the U.S. Customs

Service, on recent data on the collections of customs duties, and on information from various industry sources. The estimate of the revenue provision in Title III was provided by the JCT.

Based on information from the Customs Service, CBO estimates that the $1.75 fee would apply to about 8 million passengers in fiscal year 2000, the first full year after enactment, and that the number would increase to almost 12 million by 2004. Thus, additional fees would total about $14 million in 2000 and would grow to about $20 million by 2004. We expect the Customs Service to spend these funds mostly in the year in which they are collected, so the net change in outlays would be near zero in most years.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

Summary of Effects of S. 262 on Direct Spending and Receipts

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	-2	0	0	0	0	0	0	0	0	0
Changes in receipts	-17	1	3	4	6	7	8	9	10	12	n.a.

n.a. = not available
Sources: Congressional Budget Office and the Joint Committee on Taxation

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 262 would impose no new intergovernmental mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON PRIVATE SECTOR

S. 262 would impose two new private-sector mandates. CBO has determined that section 2418 would impose a mandate on owners of certain commercial vessels. JCT has determined that Title III would impose a new private-sector mandate by changing provisions in the Internal Revenue Code related to the sale of a property subject to a liability. Neither of the two mandates would result in a direct cost exceeding the statutory threshold established in UMRA ($100 million in 1996, adjusted annually for inflation) in any of the first five years.

Section 2418 would direct the Secretary of the Treasury to charge and collect a customs user fee of $1.75 for the arrival of each passenger aboard a commercial vessel from Canada, Mexico, a territory or possession of the United States, or any adjacent island. Under current law, arrivals from those areas are exempt from such fees. CBO estimates that the direct cost of the new private-sector mandate would total $87 million over the 1999-2004 period. Owners would probably incur minimal additional administrative costs and would most likely recoup the total cost of the new mandate from passengers through an increase in ticket prices.

JCT estimates that the direct cost of the private-sector mandate in Title III would total $87 million over the 1999-2004 period.

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