CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 20, 2012

S. 3326

A bill to amend the African Growth and Opportunity Act to extend the third country fabric program and to add South Sudan to the list of countries eligible for designation under that Act, to make technical corrections to the Harmonized Tariff Schedule of the United States relating to the textile and apparel rules of origin for the Dominican Republic-Central America-United States Free Trade Agreement, to approve the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003, and for other purposes

As ordered reported by the Senate Committee on Finance on July 18, 2012

SUMMARY

S. 3326 would extend for three years the preferential tariff treatment currently accorded to certain textile products from lesser-developed countries (LDCs) in the African Growth Opportunity Act (AGOA) program, modify the rules of origin for products imported from countries who are members of the Dominican Republic and Central America Free Trade Agreement (DR-CAFTA), and renew import restrictions enacted in the Burmese Freedom and Democracy Act of 2003. The bill also would shift some corporate income tax payments between fiscal years and extend user fees collected by Customs and Border Protection (CBP) that expire under current law.

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting S. 3326 would reduce revenues by $59 million in 2013, increase revenues by $4 million over the 2013-2017 period, and reduce revenues by $192 million over the 2013-2022 period. Enacting S. 3326 also would reduce direct spending by $197 million over the 2013-2022 period. Thus, the net impact of those effects is an estimated reduction in deficits of $5 million over the 2013-2022 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

CBO has determined that the nontax provisions of the bill contain no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. JCT has determined that the tax provision of the bill contains no intergovernmental or private-sector mandates.

CBO has determined that the nontax provisions of S. 3326 would impose private-sector mandates as defined in UMRA by extending the authorization to collect customs user fees, and by renewing the ban on all imports from Burma. CBO estimates that the aggregate cost of those mandates would exceed the annual threshold established in UMRA for private-sector mandates ($146 million in 2012, adjusted annually for inflation.)

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 3326 is shown in the following table.

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
CHANGES IN REVENUES												
Extension of AGOA LDC Preferences[a]	-59	-63	-70	0	0	0	0	0	0	0	-192	-192
Rules of Origin Changes for DR-CAFTA	*	*	*	*	*	*	*	*	*	*	*	*
Extension of Import Restrictions in the Burmese Freedom and Democracy Act of 2003	*	0	0	0	0	0	0	0	0	0	*	*
Corporate Payments Shift	0	0	0	0	196	-196	0	0	0	0	196	0
Total Changes in Revenues	**-59**	**-63**	**-70**	*****	**196**	**-196**	*****	*****	*****	*****	**4**	**-192**
CHANGES IN DIRECT SPENDING												
Customs User Fees												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	-197	0	-197
Estimated Outlays	0	0	0	0	0	0	0	0	0	-197	0	-197
NET INCREASE OR DECREASE(-) IN THE DEFICIT												
Net Change in Deficit	**59**	**63**	**70**	*****	**-196**	**196**	*****	*****	*****	**-197**	**-4**	**-5**

Sources: CBO and the staff of the Joint Committee on Taxation.

Notes: Components may not sum to totals because of rounding.
* indicates amounts that are between -$500,000 and $500,000.
a. This estimate assumes enactment before October 1, 2012. If enactment were delayed, the estimate would be adjusted to account for the intervening expiration of the AGOA LDC preference program.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that S. 3326 will be enacted by the start of fiscal year 2013.

Revenues

S. 3326 would extend the special treatment that certain lesser-developed sub-Saharan countries receive under AGOA. Under AGOA, which is scheduled to expire on September 30, 2015, about 40 African countries receive preferential duty treatment for apparel goods that are assembled within the country, using fabric and yarn originating in the United States or the AGOA region. In addition, through September 30, 2012, countries designated “lesser-developed” within AGOA may export duty-free to the United States apparel goods that are assembled within the country regardless of the origin of the fabric or yarn. Most of the AGOA countries currently have LDC status. The bill would allow the LDCs to receive such special treatment for an additional three years, through September 30, 2015, until the scheduled expiration of the overall AGOA program. CBO estimates that the extension would result in $192 million in forgone revenues over the 2013-2022 period, net of income and payroll tax offsets.

S. 3326 also would include South Sudan in the list of countries eligible for AGOA preferences. South Sudan became an independent nation, separate from Sudan, in July 2011. Based on the negligible amount of customs duties paid on imports from South Sudan since its independence, and from Sudan prior to independence, CBO estimates that the inclusion of South Sudan in the AGOA preference program would have a negligible effect on revenues over the 2013-2022 period.

The bill also would modify the rules of origin established in the DR-CAFTA for certain apparel and textile goods. Goods imported from the DR-CAFTA region are eligible for duty-free treatment based on the nature and sources of their component fabrics and yarns. The bill would adjust such eligibility for goods to prevent the use of some components from outside the DR-CAFTA region and permit the use of certain others. Based on information from the Department of Commerce, CBO estimates that the net revenue effect of these changes would be insignificant in any year and over the 2013-2022 period.

S. 3326 would extend for one year, through July 26, 2013, the ban on all imports from Burma that was enacted in the Burmese Freedom and Democracy Act of 2003. It also would extend the ban on imports of certain gemstones originating from Burma that was added by the Tom Lantos Block Burmese Junta’s Anti-Democratic Efforts Act of 2008. The original ban was set to expire on July 28, 2004, and since then enacted legislation has renewed it annually, most recently through July 26, 2012. An executive order implementing the import ban, citing authority under the Burmese Freedom and Democracy

Act of 2003 as well as other laws, was recently extended into May 2013. CBO estimates that the revenue effect of extending the import ban for roughly two months beyond the executive order would be insignificant in 2013 and over the 2013-2022 period.

The bill also would shift payments of corporate estimated taxes between fiscal years 2017 and 2018. For corporations with at least $1 billion in assets, the bill would increase the portion of corporate estimated payments due from July through September in 2017. JCT estimates that those changes would increase revenues by $196 million in 2017 and decrease them by $196 million in 2018.

Direct Spending

Under current law, customs user fees will expire after September 30, 2021. The bill would permit CBP to collect these fees through October 22, 2021 (for merchandise processing fees) and through October 29, 2021 (for COBRA fees, which were established in the Consolidated Omnibus Budget Reconciliation Act of 1985). CBO estimates that these changes would increase offsetting receipts (a credit against direct spending) by $197 million in fiscal year 2022.

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 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 of S. 3326, as ordered reported by the Senate Committee on Finance on July 18, 2012

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	59	63	70	0	196	-196	0	0	0	-197	-4	-5

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

CBO has determined that the nontax provisions of the bill contain no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. JCT has determined that the tax provision of the bill contains no intergovernmental mandates.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

CBO has determined that the nontax provisions of S. 3326 would impose private-sector mandates as defined in UMRA on entities required to pay customs user fees and on certain importers. CBO estimates that the aggregate cost of those mandates would exceed the annual threshold established in UMRA for private-sector mandates ($146 million in 2012, adjusted annually for inflation.) JCT has determined that the tax provision of the bill contains no private-sector mandates.

By extending the authorization for the CBP to collect customs user fees (merchandise processing fees and COBRA fees) the bill would impose mandates on entities required to pay those fees. CBO estimates the cost to private entities would amount to $197 million paid in fees in 2022.

The bill also would extend for roughly two months the ban on all imports from Burma (and jewelry that contains gems mined in Burma) that is scheduled to expire in of May 2013. The cost of the mandate for importers would be the net value of forgone profits from banned Burmese products. Based on information from the U.S. International Trade Commission CBO estimates the cost of the ban for importers would be small.

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