CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 5, 2011

H.R. 3078
United States–Colombia Trade Promotion Agreement Implementation Act

As ordered reported by the House Committee on Ways and Means on October 5, 2011

SUMMARY

H.R. 3078 would approve the trade promotion agreement between the government of the United States and the government of Colombia that was signed on November 22, 2006. It would provide for tariff reductions and other changes in law related to implementation of the agreement. It also would retroactively extend the Andean Trade Preference Act (ATPA) from February 12, 2011, through July 31, 2013, while removing Colombia from eligibility for trade preferences under that program. The bill would extend user fees collected by Customs and Border Protection (CBP) that expire under current law, and remove an exemption from those fees for travelers to the United States from Mexico, Canada, and certain Caribbean countries. It also would shift some corporate income tax payments between fiscal years.

The Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 3078 would reduce revenues by $139 million in 2012 and by about $1.5 billion over the 2012-2021 period. CBO estimates that enacting H.R. 3078 would decrease direct spending by $68 million in 2012 and by about $1.5 billion over the 2012-2021 period. The net impact of those effects is an estimated reduction in deficits of $22 million over the 2012-2021 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

Further, CBO estimates that implementing the legislation would result in discretionary costs of $4 million over the 2012-2016 period, assuming the availability of appropriated funds.

CBO has determined that the nontax provisions of H.R. 3078 contain no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), and would impose no costs on state, local, or tribal governments.

CBO has determined that the nontax provisions of the bill contain private-sector mandates with costs that would exceed the annual threshold established in UMRA for private-sector mandates ($142 million in 2011, adjusted annually for inflation).

JCT has determined that the tax provision of H.R. 3078 contains no private-sector or intergovernmental mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3078 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs), 370 (commerce and housing credit), 750 (administration of justice), and 800 (general government).

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that H.R. 3078 will be enacted early in fiscal year 2012.

Revenues

Under the United States-Colombia trade promotion agreement, tariffs on U.S. imports from Colombia would be phased out over time. The tariffs would be phased out for individual products at varying rates, ranging from immediate elimination on the date the agreement enters into force to gradual elimination over 10 or more years. According to the U.S. International Trade Commission, the United States collected about $9 million in customs duties in 2010 on $16 billion of imports from Colombia. However, since 1991, imports to the United States from Colombia have been subject to reduced tariff rates in accordance with the ATPA, which was expanded in legislation enacted in 2002, and expired on February 12, 2011. The ATPA overlaps to a large extent with the trade promotion agreement that would be implemented by this bill. As a result, enacting the bill would effectively extend the ATPA for Colombia, while also lowering tariff rates not covered by the ATPA.

Based on expected imports from Colombia, CBO estimates that implementing the tariff schedule outlined in the U.S.-Colombia trade promotion agreement would reduce revenues by $55 million in 2012, and by about $1.4 billion over the 2012-2021 period, net of income and payroll tax offsets.

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
CHANGES IN REVENUES												
Preferential Trade Agreement	-55	-100	-110	-122	-135	-148	-159	-171	-185	-199	-522	-1,384
Extend ATPA	-84	-19	0	0	0	0	0	0	0	0	-103	-103
Corporate Payment Shift	0	0	0	0	344	-344	0	0	0	0	344	0
Estimated Revenues	-139	-119	-110	-122	209	-492	-159	-171	-185	-199	-282	-1,488
CHANGES IN DIRECT SPENDING[a]												
Extend Customs User Fees												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	-754	0	-754
Estimated Outlays	0	0	0	0	0	0	0	0	0	-754	0	-754
Eliminate COBRA Fee Exemption												
Estimated Budget Authority	-83	-111	-112	-113	-114	-116	-117	-118	-35	-80	-533	-999
Estimated Outlays	-83	-111	-112	-113	-114	-116	-117	-118	-35	-80	-533	-999
Exemption from Merchandise Processing Fee												
Estimated Budget Authority	15	26	28	29	30	32	34	35	10	5	128	243
Estimated Outlays	15	26	28	29	30	32	34	35	10	5	128	243
Total, Direct Spending[a]												
Estimated Budget Authority	-68	-85	-84	-84	-84	-84	-83	-83	-25	-829	-405	-1,510
Estimated Outlays	-68	-85	-84	-84	-84	-84	-83	-83	-25	-829	-405	-1,510
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND RECEIPTS												
Impact on Deficit	71	34	26	38	-293	408	76	88	160	-630	-123	-22

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Note: Components may not sum to totals because of rounding.
ATPA = Andean Trade Preference Act; COBRA = Consolidated Omnibus Budget Reconciliation Act.

a. In addition, CBO estimates that implementing the provisions of H.R. 3078 would have a discretionary cost of $4 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

This estimate includes the effects of increased imports from Colombia that would result from the reduced prices of imported products in the United States, reflecting the lower tariff rates. It is likely that some of the increase in U.S. imports from Colombia would displace imports from other countries. In the absence of specific data on the extent of this substitution effect, CBO assumes that an amount equal to one-half of the increase in U.S. imports from Colombia would displace imports from other countries.

The Generalized System of Preferences, which allows duty-free importation of a wide range of products from 129 countries, including Colombia, expired on December 31, 2010. If those preferences were extended through July 13, 2013, in other legislation enacted prior to H.R. 3078 (such as in H.R. 2832 as passed by the Senate on September 22, 2011), then the revenue loss from implementing the tariff reductions in H.R. 3078 would be reduced by $6 million over the 2012-2021 period, to $1.378 billion instead of $1.384 billion.

Under H.R. 3078, the ATPA trade preferences, which expired on February 12, 2011, would be extended, retroactively, for each of the beneficiary countries: Colombia and Ecuador. (The free trade agreement with Peru supersedes that country's ATPA preferences. Bolivia, which had been a member country in previous years, had its eligibility revoked in June 2009.) The preferences would be extended from February 12, 2011, through July 31, 2013, with Colombia losing its eligibility for ATPA preferences upon enactment of the trade promotion agreement. CBO estimates that the retroactive extension of the ATPA preferences, including removing Colombia for eligibility, would reduce revenues from customs duties by $84 million in 2012, including refunds of duties paid by importers in 2011, and $19 million in 2013, net of income and payroll tax offsets.

H.R. 3078 also would shift payments of corporate estimated taxes between fiscal years 2016 and 2017. For corporations with at least $1 billion in assets, the bill would increase the portion of corporate estimated payments due from July through September of 2016. JCT estimates that this change would increase revenues by $344 million in 2016 and decrease revenues by $344 million in 2017.

Direct Spending

Under current law, user fees collected by CBP will expire in January of 2020.The bill would permit CBP to collect COBRA fees (which were established in the Consolidated Omnibus Budget reconciliation Act of 1985) from December 9, 2020, through August 31, 2021, and to collect merchandise processing fees from August 3, 2021, through September 30, 2021. CBO estimates that those changes would increase offsetting receipts (a credit against direct spending) by about $750 million in 2021.

Under current law, certain travelers arriving in the United States from Mexico, Canada, and some Caribbean countries are exempt from paying COBRA fees; the bill would remove this exemption. CBO estimates that this would increase offsetting receipts by about $1 billion over the 2012-2021 period.

In addition, the bill would exempt imports from Colombia from merchandise processing fees. CBO estimates that this would reduce offsetting receipts by about $130 million over the five-year period and by $245 million over the 10-year period.

Spending Subject to Appropriation

Implementing provisions of H.R. 3078 would increase the costs of several agencies affected by the bill including:

- The Department of Commerce to provide administrative support for dispute-settlement panels established in the agreement,

- The International Trade Commission to conduct investigations, if petitioned, into whether Colombian imports might threaten or cause serious injury to domestic competitors, and

- The Department of Treasury and the United States Trade Representative to establish regulations to carry out provisions of the agreement.

Based on information from the agencies, CBO estimates that these activities would cost $4 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

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. 3078 as ordered reported by the House Committee on Ways and Means on October 5, 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
	NET INCREASE OR DECREASE (-) IN THE DEFICIT											
Statutory Pay-As-You-Go Impact	71	34	26	38	-293	408	76	88	160	-630	-123	-22
Memorandum:												
Changes in Revenues	-139	-119	-110	-122	209	-492	-159	-171	-185	-199	-282	-1,488
Changes in Outlays	-68	-85	-84	-84	-84	-84	-83	-83	-25	-829	-405	-1,510

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

CBO has determined that the nontax provisions of H.R. 3078 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 as defined in UMRA.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

CBO has determined that the nontax provisions of H.R. 3078 would impose private-sector mandates, as defined in UMRA, by extending the customs user fees, increasing merchandise processing fees, and by enforcing new record-keeping requirements. CBO estimates that the aggregate costs of those mandates would exceed the annual threshold established in UMRA for private-sector mandates ($142 million in 2011, adjusted annually for inflation). JCT has determined that the tax provision of H.R. 3078 contains no private-sector mandates as defined in UMRA.

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