



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

January 13, 2010

H.R. 4284

**An act to extend the Generalized System of Preferences and the
Andean Trade Preference Act, and for other purposes**

*As cleared by the Congress on December 22, 2009,
and signed by the President on December 28, 2009*

SUMMARY

H.R. 4284 (enacted as Public Law 111-124) extends the provisions of the Andean Trade Preference Act (ATPA) and the Generalized System of Preferences (GSP). The act also extends customs user fees and shifts some corporate estimated tax receipts from 2015 into 2014.

CBO and the Joint Committee on Taxation (JCT) estimate that the act will increase revenues by \$21 million over the 2010-2014 period and reduce revenues by \$785 million over the 2010-2019 period. CBO also estimates that H.R. 4284 will increase offsetting receipts (which are a credit against direct spending) by \$796 million over the 2010-2019 period (with all of that change occurring in 2018). Thus, the net impact of the legislation is a reduction in deficits of \$21 million over the 2010-2014 period and \$11 million over the 2010-2019 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4284 is shown in the following table. Spending under this legislation falls within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars										2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019
CHANGES IN REVENUES												
GSP Extension	-532	-177	0	0	0	0	0	0	0	0	-710	-710
ATPA Extension	-57	-19	0	0	0	0	0	0	0	0	-75	-75
Corporate Estimated Tax Payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>806</u>	<u>-806</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>806</u>	<u>0</u>
Total Changes in Estimated Revenues	-589	-196	0	0	806	-806	0	0	0	0	21	-785
CHANGES IN DIRECT SPENDING												
Customs User Fees												
Estimated Budget Authority	0	0	0	0	0	0	0	0	-796	0	0	-796
Estimated Outlays	0	0	0	0	0	0	0	0	-796	0	0	-796
CHANGES IN DEFICITS												
Net Changes in Deficits ^a	589	196	0	0	-806	806	0	0	-796	0	-27	-11

Sources: Congressional Budget Office and Joint Committee on Taxation.

Notes: GSP = Generalized System of Preferences, ATPA = Andean Trade Preference Act.

Components may not sum to totals because of rounding.

a. Positive numbers indicate an increase in deficits, negative numbers indicate a decrease in deficits.

BASIS OF ESTIMATE

Revenues

GSP Extension. H.R. 4284 extends the GSP through December 31, 2010. Initiated in 1976 and first authorized for a 10-year period, the program has been periodically extended through its previous expiration date of December 31, 2009. GSP provides duty-free entry for about 4,800 products from 131 countries and territories. Based on the composition of recent imports under the program and CBO's forecast of total imports, CBO estimated the future customs value and an effective tariff rate for those imports under the GSP, yielding a projection of customs duties under H.R. 4284. We then compared that projection for customs duties with those expected in the absence of such preferences. CBO estimates that the extension of the trade preferences will reduce

revenues from customs duties by \$532 million in 2010 and \$177 million in 2011, net of income and payroll-tax offsets.

ATPA Extension. Under the act, the ATPA trade preferences, which were scheduled to expire on December 31, 2009, are extended for each of the three beneficiary countries: Colombia, Ecuador, and Peru. (A free trade agreement with Peru, which is currently being implemented, would eventually supersede that country's ATPA preferences). The preferences are extended through December 31, 2010. Bolivia, which had been a member country in previous years, had its eligibility revoked in June 2009.

Using a method similar to that described above for the extension of the GSP, CBO estimates that the extension of the trade preferences will reduce revenues from customs duties by \$57 million in 2010 and \$19 million in 2011, net of income and payroll-tax offsets.

Corporate Estimated Tax Payments. For corporations with at least \$1 billion in assets in 2013, the act increases the portion of corporate estimated tax payments due in July 2014 through September 2014. JCT estimates that this provision will increase revenues by \$806 million in fiscal year 2014 and decrease revenues by \$806 million in fiscal year 2015.

Direct Spending

Prior to enactment of H.R. 4284, customs user fees were scheduled to expire either after February 7, 2018 (for COBRA fees) or after February 14, 2018 (for merchandise processing fees). Such fees are recorded in the budget as offsetting receipts (a credit against direct spending). H.R. 4284 extends COBRA fees through June 7, 2018, and merchandise processing fees through May 14, 2018. CBO estimates that this provision will increase offsetting receipts by \$796 million in 2018.

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