



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 2, 2010

### **H.R. 4501** **Guarantee of a Legitimate Deal Act of 2010**

*As ordered reported by the House Committee on Energy and Commerce  
on July 15, 2010*

H.R. 4501 would prohibit purchasers of precious metals from selling or refining an item of jewelry or precious metal until the seller has accepted the purchaser's offer to buy the item for a specific price. The bill also would require purchasers to return the jewelry or precious metal to the seller if the purchaser's offer is declined and to insure the shipment of returned items. The Federal Trade Commission (FTC) would be required to develop regulations to carry out those new requirements.

Based on information from the FTC, CBO expects that developing and enforcing the new regulations would impose a minimal cost on the agency; therefore, CBO estimates that implementing H.R. 4501 would not significantly increase spending subject to appropriation. Enacting H.R. 4501 could increase civil penalties and thus would affect federal revenues; therefore, pay-as-you-go procedures apply. However, CBO estimates that such effects would not be significant in any year. Enacting H.R. 4501 would not affect direct spending.

H.R. 4501 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

By establishing new requirements for businesses that purchase jewelry or precious metals from consumers, H.R. 4501 would impose private-sector mandates as defined in UMRA. Based on information from industry sources, CBO estimates that additional costs to meet the insurance requirements would comprise the largest share of the cost to comply with the mandates in the bill. According to industry sources, about 8 percent of customers decline the offer price, and the average value of items that a customer attempts to sell is less than \$150. The insurance rate from the U.S. Postal Service for a package of that value is \$2.75. CBO has no information on the total number of packages of jewelry or precious metals

handled by the industry each year. However, according to an industry press release, one of the largest companies in the industry in terms of sales volume receives almost 5,000 packages per day for processing. Based on those data, CBO estimates that the aggregate cost of the mandates would probably fall below the annual threshold established in UMRA for private-sector mandates (\$141 million in 2010, adjusted annually for inflation).

The CBO staff contacts for this estimate are Susan Willie (for federal costs) and Sam Wice (for the private-sector impact). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.