



## House Amendment to the Senate Amendment to H.R. 1295, the Trade Preferences Extension Act (Rep. Holding, R-NC)

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**FLOOR SCHEDULE:** SCHEDULED FOR CONSIDERATION ON JUNE 11, 2015 UNDER A UNANIMOUS CONSENT AGREEMENT PROVIDING FOR THE CONSIDERATION OF THE HOUSE AMENDMENT TO THE SENATE AMENDMENT TO H.R. 1295, THE TRADE PREFERENCES EXTENSION ACT OF 2015.

**PLEASE NOTE:** H.R. 1295—IRS BUREAUCRACY REDUCTION AND JUDICIAL REVIEW ACT—BECAME THE VEHICLE IN THE SENATE FOR TRADE PREFERENCES EXTENSION ACT.

**TOPLINE SUMMARY:** [The House amendment to the Senate amendment to H.R. 1295](#) would amend the [Trade Act of 1974](#) and the African Growth and Opportunity Act (AGOA) to make changes regarding various trade preferences. The House amendment also includes an alternative offset to the sequester provision.

**CONSERVATIVE CONCERNS:** There are no major conservative concerns.

- **Expand the Federal Government?** No.
- **Encroach into State or Local Authority?** No.
- **Delegate Any Legislative Authority to the Executive Branch?** No.
- **Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?** No.

**DETAILED SUMMARY AND ANALYSIS:** The House amendment to the Senate amendment to H.R. 1295 would extend through the duty-free treatment of the products of beneficiary sub-Saharan African countries through Fiscal Year (FY 2025). The bill would also extend the Generalized System of Preferences (GSP) until December 31, 2017, and retroactively applies to goods imported on or after July 31, 2013 that would have been eligible for duty-free treatment under the GSP program as of the date of enactment.

**COST:** The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) [estimate](#) that the House amendment to the Senate amendment to H.R. 1295 would reduce the deficit by \$703 million over the FY 2015 to 2025 period. The House amendment would reduce mandatory spending by \$5.940 billion and reduce revenues by \$5.237 billion over the same period.

The CBO and JCT estimate of the Senate's original amendment, S. 1267, can be found [here](#).

Section 103 would extend AGOA and the special rule of origin on third-country fabric from September 30, 2015 to September 30, 2025. Section 104 would amend the Trade Act of 1974 to allow accumulation of the direct costs of processing operations performed in one or more beneficiary sub-Saharan African countries or former beneficiary sub-Saharan African countries in achieving the required minimum 35-percent local value content. Section 104 would also authorize the president to amend the [Harmonized Tariff Schedule of the United States](#)

(HTSUS) to add the special tariff treatment symbol “D” in the “Special” sub-column of the HTSUS for every product with the special tariff treatment symbol “A” in the “Special” sub-column to clarify that every article described in title V of the Trade Act of 1974 that is the growth, product, or manufacture of a beneficiary sub-Saharan African country will be eligible for the preferential tariff treatment.

Section 105 would require the president to provide at least 60 days notification and explanation to Congress and the sub-Saharan African country in question of his intention to terminate the designation of such country as a beneficiary sub-Saharan African country. The section would allow the president to withdraw, suspend, or limit duty-free treatment for certain articles if he determines that such treatment would be more effective in promoting compliance with eligibility requirements than terminating benefits. The president would be required to notify Congress and the country in question at least 60 days in advance of any action, along with the reasons for such action. Section 105 would also require the president to annually publish in the Federal Register, as part of the annual monitoring and review of countries, a notice of the annual review and a request for public comments on whether beneficiary countries are meeting the eligibility criteria. It also requires the United States Trade Representative to hold a public hearing within 30 days of the president’s publication.

The section would require the president to create a new petition process in which interested parties may file a petition with the United States Trade Representative at any time regarding the compliance of any AGOA beneficiary country. The president is also authorized to initiate an out-of-cycle review of any beneficiary sub-Saharan African country, at any time, to determine whether it is making continual progress in meeting the eligibility criteria. If a country fails the out-of-cycle review, the president is mandated to terminate or withdraw, suspend, or limit the application of duty-free treatment. The president is required to consult with Congress before initiating an investigation and report after a conclusion. In addition, the section would direct the president to initiate within 30 days of enactment a review of South Africa or any other beneficiary country that is not in compliance with AGOA.

Section 106 would amend AGOA to include as a goal of AGOA the promotion the role of women in social, political, and economic development in sub-Saharan Africa, by adding in the eligibility criteria to add “for men and women” at the end of the provision that currently provides that a country must make continual progress toward establishing “a market-based economy that protects private property rights.”

Section 108 would establish that the United States should continue to seek all opportunities to deepen and expand ties between sub-Saharan Africa and the United States through accession by sub-Saharan African countries to the World Trade Organization and negotiation of Trade and Investment Framework Agreements, Bilateral Investment Treaties, and Free Trade Agreements with individual countries and regional economic communities.

The section would state that the United States should continue to seek to agreements with individual countries as well as regional economic communities, as appropriate. Section 108 would provide that the United States should continue to promote the full implementation of commitments made under WTO agreements to improve AGOA utilization and promote trade and investment. Section 108 would provide that the United States should continue to promote the negotiation of trade agreements that cover substantially all trade between parties, and to object in all forums if other countries negotiate agreements that do not cover substantially all trade. Section 109 would expand the number of countries eligible for technical assistance and also makes technical assistance available to develop food safety standards.

Section 201 would extend the [Generalized System of Preferences](#) program until December 31, 2017, and retroactively applies to goods imported on or after July 31, 2013 that would have been eligible for duty-free treatment under the GSP program as of the date of enactment. Section 203 would allow the administration to complete the competitive need limitation and waiver determinations by October 1, 2015 for products entered in 2014. Section 204 would authorize the U.S. Trade Representative to designate certain travel goods, including

purses, briefcases, attaché cases, and backpacks, to be eligible under the GSP program, expanding new production opportunities for U.S. businesses.

A Heritage Foundation report from 2013 on the need to renew and reform the trade program can be found [here](#).

Section 301 would amend Section 213A of the [Caribbean Basin Economic Recovery Act](#) to extend benefits to Haiti through 2025. Section 401 would create a new, revenue neutral Harmonized Tariff Schedule (HTS) subheadings for recreational performance outerwear. Section 402 would create new HTS subheadings for protective active footwear because the current definition of non-sports athletic footwear is too narrow to cover many performance outdoor shoes that are essentially athletic in nature. The section would create a new category of product (protective active footwear) to include products such as certain water resistant hiking shoes, trekking shoes, and trail running shoes, and would amend the HTS so that they will carry a 20 percent duty rate, instead of the current 37.5-percent rate. The section would also require that any staged reductions in duties as may be required by U.S. free trade agreements for athletic footwear will also apply to protective active footwear.

Section 602 would increase the estimated tax by 5.25 percent of the amount otherwise due (disregarding any increases outside of the tax code) for estimated tax payments made by corporations with assets of more than \$1 billion in July, August, or September of 2020. In addition, the provision would reduce the next estimated tax payment by the same amount.

Section 603 would eliminate the minimum interest requirement, an extension of the Medicare sequester included in that bill as passed by the Senate. The [Senate-passed bill](#) (S. 1267) included a provision that would extend the Medicare spending sequester limit for the second half of fiscal year 2024 at a 0.25% reduction. The Senate report (S. Rept. 114-43) accompanying S. 1267 can be found [here](#).

**The following provisions are included in the [House amendment to the Senate amendment to H.R. 1295](#). These provisions are an alternative offset to the sequester provision.**

- Section 604 would require a taxpayer claiming certain education tax benefits for tuition to possess a valid information return (IRS Form 1098-T) from a qualified higher educational institution. This section would apply to amounts claimed under the American Opportunity Tax Credit, Hope Scholarship Credit, Lifetime Learning Credit, and tuition deduction.
- Section 605 would waive the penalty that applies to educational institutions that fail to file information returns with accurate taxpayer identification numbers (TINs) of students attending the educational institution if the institution certifies, under penalty of perjury, that it properly requested TINs from students as required under Treasury regulations.
- Section 606 would modify the multi-tier penalty structure that applies to taxpayers that fail to file correct information returns with the IRS as well as the separate, but parallel, penalty that applies to taxpayers that fail to provide the payee with a correct copy of the information return filed with the IRS. The penalties are based on the duration of the delinquency, the size of the taxpayer, and the taxpayer's intent.

A section-by-section summary and an overview of the bill provided by the House Committee on Ways and Means can be found [here](#) and [here](#).

**COMMITTEE ACTION:** The bill was introduced on March 4, 2015 and was referred to the House Ways and Means Committee. H.R. 1295 then passed the House on April 15, 2015 by voice vote. The bill then passed the Senate on May 14, 2015 with an amendment and an amendment to the title by yea-nay vote: [97 - 1](#).

**ADMINISTRATION POSITION:** No statement of administration policy is available.

**CONSTITUTIONAL AUTHORITY:** Congress has the power to enact this legislation pursuant to the following: Article I, Section 8, Clause 18, which states “The Congress shall have Power To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by the Constitution in the Government of the United States, or in any Department or Officer thereof.”

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