Calendar No. 74

114TH CONGRESS
1st Session

SENATE

REPORT
114–43

AN ORIGINAL BILL TO EXTEND THE AFRICAN GROWTH AND OPPORTUNITY ACT, THE GENERALIZED SYSTEM OF PREFERENCES, THE PREFERENTIAL DUTY TREATMENT PROGRAM FOR HAITI, AND FOR OTHER PURPOSES

MAY 12, 2015.—Ordered to be printed

Mr. HATCH, from the Committee on Finance,
submitted the following

R E P O R T

[To accompany S. 1267]

[Including cost estimate of the Congressional Budget Office]

The Committee on Finance, having considered an original bill to amend the African Growth and Opportunity Act, the Generalized System of Preferences, the preferential duty treatment program for Haiti, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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I. REPORT AND OTHER MATERIALS OF THE COMMITTEE

A. Report of the Committee on Finance

The Committee on Finance, having considered an original bill to amend the African Growth and Opportunity Act (AGOA), to renew the Generalized System of Preferences (GSP), and the preferential duty treatment program for Haiti, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

B. Summary of Congressional Consideration of the Bill

1. Background

On April 20, 2015 Chairman Hatch introduced S. 1009, on which this bill is based, on behalf of himself and Senator Wyden.

2. Committee Consideration

The Senate Committee on Finance met in open executive session on April 22, 2015 to consider the Chairman's Mark to extend the AGOA preference and amend provisions of the program, to extend and retroactively apply benefits under the GSP program, and to extend preferential duty treatment for Haiti. The bill the Committee considered was based upon S. 1009 of the 114th Congress. During the Committee's consideration of the bill, a number of amendments were offered and two were accepted. The Committee approved the bill by voice vote.

C. Trade Relations With Preference Program Beneficiaries

1. United States-Sub-Saharan Africa Trade

In 2000, Congress created a trade preference program called the African Growth and Opportunity Act (AGOA) with the goals of reducing trade barriers, encouraging increased trade and investment between the United States and sub-Saharan Africa, supporting regional integration, and incentivizing progress towards reciprocal trade agreements. To meet these goals, the AGOA program offered trade preferences and other economic benefits to sub-Saharan African countries that met certain criteria, including progress towards a market economy, respect for the rule of law, elimination of barriers to U.S. trade and investment, and protection of human and worker rights. AGOA built on existing U.S. trade programs by including additional products eligible for duty-free treatment beyond those previously available under the Generalized System of Preferences (GSP).

The "third-country fabric" provision in AGOA allows duty-free treatment of apparel assembled in one or more lesser-developed AGOA beneficiary countries regardless of the country of origin of the fabric, subject to a cap of 3.5 percent (by quantity) of all U.S. apparel imports. Lesser-developed countries are defined in AGOA as those with a per-capita gross national product of less than $1,500 as measured by the World Bank. In subsequent amendments of AGOA, Botswana, Namibia, and Mauritius were also added to the list of lesser-developed countries. At present, 27 AGOA-eligible countries qualify for the third-country fabric provision.

AGOA has been amended several times since its initial enactment. In 2002, Congress amended AGOA to further increase market access for products from sub-Saharan Africa. In 2004, Congress further amended AGOA, extending its benefits beyond the original deadline and clarifying certain provisions. This legislation also included directives to the President on investment initiatives and technical assistance. Congress passed legislation in 2006 that further amended AGOA and extended third country fabric provisions. Those provisions were again extended in 2012 to match the expiration date, September 30, 2015, of the underlying AGOA program.

Between 2001 and 2013, imports under the AGOA program increased approximately 10 percent each year from $7.6 billion to $24.8 billion. In 2013, U.S. imports under AGOA totaled $26.8 billion, more than four times the amount in 2001. Major U.S. imports from AGOA countries include crude oil, transportation equipment, minerals and metals, textiles and apparel products, agricultural products, and chemicals.

2. Generalized System of Preferences

The Generalized System of Preferences (GSP) program provides unilateral, nonreciprocal preferential tariff treatment to certain products imported from designated beneficiary developing countries. The U.S. program, established by Title V of the Trade Act of 1974, is subject to periodic renewal by Congress, and was last extended through July 31, 2013.

The President may designate countries as beneficiaries under the program provided those countries meet the prescribed eligibility criteria including: restrictions on countries that provide beneficial access to their market that has a significant negative impact on U.S. commerce; countries that nationalize, expropriate or otherwise infringe the property rights of U.S. citizens including patents, trademarks, or copyrights; and countries that have failed to act in good faith in recognizing as binding or in enforcing arbitral awards; as well as requirements that beneficiaries have taken or are taking steps to grant internationally recognized worker rights and eliminate worst forms of child labor. The statute includes discretionary criteria the President may take into account in determining eligibility including: the level of economic development; commitments to provide reasonable and equitable market access; efforts to limit unreasonable export practices and reduce trade-distorting investment policies and practices; and steps taken to grant internationally recognized worker rights.

The President may withdraw, suspend, or limit a beneficiary's GSP status. Graduation from the program may follow the President's determination that the country is sufficiently developed. Mandatory country graduation occurs when the beneficiary is determined to be a "high income country" as defined by official World Bank statistics. If the President finds that a beneficiary is not making substantial progress toward any of the eligibility requirements, he may take steps to limit or remove the country's benefits. The President is required to notify Congress of changes to beneficiary status.

More than 3,500 products are currently eligible for duty-free treatment, as well as about 1,500 additional articles originating in Least Developed Beneficiary Countries. The program authorizes the President to designate certain imports as eligible for duty-free treatment under the GSP after receiving advice from the United States International Trade Commission (USITC). Several products designated as "import sensitive" are specifically excluded from preferential treatment including most textiles and apparel goods; watches; footwear and other accessories; most electronics, steel, and glass products; and certain agricultural products that are subject to tariff-rate quotas.

Leading imports under GSP in 2012, the last full year of implementation, included petroleum and other oils; rubber tires; aluminum alloy plates, sheets, and strips; certain chemical and silver jewelry.

3. Haiti Preference Programs

In 1983, Congress created the Caribbean Basin Economic Recovery Act (CBERA) in response to deteriorating economic and political conditions in the region. The United States' first regionally-targeted preference program, CBERA provided limited duty-free entry of select Caribbean exports. CBERA was made permanent with a few modest additions of eligible products in the Caribbean Basin Economic Expansion Act of 1990.

On March 1, 2006, the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA–DR) was implemented, a reciprocal trade agreement that provides partner countries with more liberal access to the U.S. market. Haiti was the only major apparel-producing country in the region that was not included in CAFTA–DR. As the Haitian economy continued to struggle, Congress passed legislation creating flexible unilateral preferences for Haiti's apparel sector by amending CBERA to include the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 (HOPE I). These preferences were enhanced and extended by the HOPE II Act of 2008 (HOPE II) and the Economic Lift Program (HELP) Act of 2010.

The HOPE I, HOPE II and HELP programs include special rules for the duty-free treatment of select apparel imports from Haiti made from third-country yarns and fabrics and provide duty-free treatment to apparel articles wholly assembled or knit-to-shape in Haiti. Access is provided through tariff preference levels for knit and woven articles; unlimited duty free treatment for certain products including selected women's and girls' sleepwear, luggage, and handbags; and an earned import allowance program. Eligible articles imported under the program are capped at 1.25% of total U.S. apparel imports. The programs collectively expire in September 2020.

In 2013, U.S goods imports from Haiti totaled $847 million. Preferential access made knit and woven apparel the largest import groups from Haiti totaling $612 million and $191 million respectively.

D. General Description of the Bill

TITLE I: EXTENSION OF AFRICAN GROWTH AND OPPORTUNITY ACT

Section 101—Short title

Section 101 entitles the bill the "Trade Preferences Extension Act of 2015."

Section 102—Findings

In Section 102, Congress finds that the AGOA program is the center of the United States' economic relationship with sub-Saharan Africa enhancing trade, investment, job creation, democratic institutions, development and poverty reduction through trade and investment. Trade supporting these objectives has more than tripled since the program was enacted in 2000. Congress also finds that it is in the United States' long-term economic interest to increase trade with emerging markets and enhance economic and political ties with the fastest-growing economies in the world. Further integration of sub-Saharan African countries into the global economy stimulates these goals and, to that end, the bill includes Congressional findings that the implementation of the Agreement on Trade Facilitation of the World Trade Organization will strengthen integration and economic growth in the region. The Committee is increasingly concerned with market-access and investment barriers in many sub-Saharan countries, most notably South Africa. Thus the bill includes Congressional findings that the elimination of trade barriers in sub-Saharan Africa, including high tariffs, forced localization requirements, restrictions on investment, and customs barriers, will create opportunities for workers, businesses, farmers, and ranchers in the United States and sub-Saharan African countries, increase utilization of the AGOA program, promote growth and enhance the trade relationship between the United States and sub-Saharan Africa.

Section 103—Extension of the African Growth and Opportunity Act

Section 103 extends AGOA and the special rule of origin on third country fabric from September 30, 2015 to September 30, 2025.

Section 104—Promoting greater regional integration

The Committee believes that further regional integration in sub-Saharan Africa will spur greater economic development. Therefore, the Committee included new provisions in Section 104(a) that allow for 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. The Committee believes that this provision will increase program utilization by deepening regional integration.

Section 104(b) clarifies that rules of origin for certain articles described in section 503(a)(1) of the Trade Act of 1974 will apply to articles that are the growth, product, and manufacture of a sub-Saharan beneficiary. The general rule of origin governing duty-free treatment under the GSP program would continue to apply to imports from beneficiary sub-Saharan African countries of any item.

Section 104(c) authorizes the President to amend the Harmonized Tariff Schedules of the United States to make clear that articles designated in section 503(a)(1) of the Trade Act of 1974 are also eligible for beneficial tariff treatment if they are the growth, product, and manufacture of a sub-Saharan beneficiary. This section seeks to ease designation of articles entering the United States under the AGOA Program.

Section 104(d) makes the amendments in paragraphs (a) and (b) effective 30 days after the implementation of this Act.

Section 105—Monitoring and review of eligibility

Section 105(a) requires the President to provide at least 60 days' notification and provide an 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. This section ensures greater accountability to Congress in the administration of the AGOA program and provides Congress with adequate time to comment on eligibility decisions.

Section 105(b) allows 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 is 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. This section provides the President with greater flexibility in administering the program in order to promote compliance with one or more of the eligibility criteria.

Under the current statute, the President's only option is to terminate the program, effective January 1 of the following year. However, in some cases, termination of all benefits is not necessarily the most effective way to address the underlying problem. For example, if a beneficiary's actions and policies with regards to a specific sector of their economy violate the eligibility criteria, then the most effective action to address the violation may be to limit AGOA benefits with respect to that sector, rather than for all products. Similarly, if there is an event that contravenes the eligibility criteria that may be temporary in nature, then suspension of benefits for a limited period of time may be a more effective way to address the issue than termination of benefits altogether. Finally, if an event occurs that is so egregious that the Administration determines benefits should be removed before January 1 of the following year, this language gives the President the authority to withdraw those benefits within 60 days, with termination to follow on January 1 of the following year. The Committee expects that the Administration will, in appropriate circumstances, make full use of the additional flexibility provided in this section to address situations where beneficiary countries have taken steps which violate eligibility criteria and which may limit or exclude international trade and investment.

While this provision provides additional flexibility, the default for a breach of the criteria remains termination of benefits on January 1 of the following year because AGOA provides benefits above and beyond GSP and includes additional eligibility criteria. As such, before invoking the flexibilities set out in the bill, the President must determine that withdrawing, suspending, or limiting benefits under the bill is more effective in promoting compliance with the criteria than terminating benefits and shall notify Congress of the rationale for this determination.

The Committee is concerned that, under prior iterations of the AGOA program, there was no formal mechanism for stakeholders to voice their concerns about whether a particular country was meeting its eligibility criteria. Therefore, the Committee included new provisions in Section 105(c) that require the President to seek public comment, including a public hearing, and create a petition process for interested parties to file petitions at any time with the United States Trade Representative regarding compliance of a beneficiary country. These petitions shall be taken into account in conducting annual monitoring and review of beneficiary countries eligibility and as the President completes reports required under the act. This provision seeks to increase public engagement in the eligibility review process. It is in the interest of U.S. firms, businesses, and other entities exporting to, investing in or other otherwise engaged in sub-Saharan Africa to formally notify the President of trade practices that limit access and investment in beneficiary markets, or violate eligibility criteria.

Section 105(c) authorizes the President to conduct out-of-cycle reviews of any beneficiary country to determine whether it is making continual progress in meeting the eligibility criteria. If the President determines that a beneficiary country is not adequately meeting the eligibility criteria, the President shall terminate the eligibility of that beneficiary country or withdraw, suspend, or limit application of duty-free treatment with respect to articles from that country and report the findings of the review to the Senate Committee on Finance and the House of Representatives Committee on Ways and Means. In executive session, the Committee adopted an amendment requiring the President to conduct an out-of-cycle review of South Africa, the most developed beneficiary under the AGOA program, to review that country's compliance with the eligibility criteria. The provision highlights the Committee's commitment to providing benefits only to those countries making progress towards compliance with all eligibility criteria.

The Committee is aware that U.S. exporters are subject to market access barriers and other issues for several products, which should be taken into account when reviewing country eligibility. For example, officials in Republic of South Africa recently indicated they will attempt to renegotiate commitments made under the GATS to require foreign owned companies to relinquish 51% ownership and control to South Africans. Though South Africa has increased its enforcement efforts, counterfeiting and piracy are rampant and it also serves as a transit point for counterfeit goods destined for neighboring countries. South Africa developed a draft intellectual property policy that proposed changes to intellectual property rights (IPR) laws, which, as described in the 2015 National Trade Estimate Report, contained significant shortcomings, including inadequate protections for patents, trademarks and copyrights. Additionally, countries that impose barriers or limitations to cross-border data flows or otherwise limit digital trade are cause for concern.

The Committee is concerned that the Republic of South Africa effectively closed its market to U.S. poultry in 2001 when it imposed antidumping duties using a questionable methodology, which has been successfully challenged at the WTO. The Committee is aware that these issues have been discussed on numerous occasions between the two governments, but no successful resolution has been reached. U.S. exports of beef, pork and poultry continue to face problematic sanitary measures, and the European Union-Southern African Development Community Economic Partnership Agreement provisions related to geographical indications potentially erect additional barriers to U.S. agricultural exports. The Committee is very concerned that South Africa has been denying market access for U.S. poultry for fifteen years while its exports have benefitted from preferential access to the U.S. market. Section 104(a)(1)(C) of AGOA provides that, in order to be eligible for preferential duty benefits, the President must determine that an eligible country has established, or is making continual progress toward establishing, "the elimination of barriers to United States trade and investment, including by . . . the resolution of bilateral trade and investment disputes." The Committee considers South Africa's denial of market access to U.S. agricultural products an unresolved bilateral trade dispute and strongly urges that the President and the government of the Republic of South Africa will take immediate and effective steps toward elimination of these barriers to international trade.

All the above examples highlight the type of economic concerns the President should take into account when conducting annual or out-of-cycle reviews of AGOA eligible countries.

Section 106—Promotion of the role of women in social and economic development in Sub-Saharan Africa

Section 106, adopted by the Committee in Executive Session, establishes it is the policy of the United States to promote the role of women in social, political and economic development through the AGOA program and clarifies the eligibility criteria under the program applies to both men and women.

Section 107—Biennial AGOA Utilization Strategies

Section 107(a) expresses a Sense of Congress that eligible sub-Saharan African countries should develop biennial AGOA Utilization Strategies to more effectively and strategically utilize benefits available under AGOA and that the United State trade capacity building agencies should work with and provide appropriate resources in developing and implementing these strategies. This provision also encourages USTR to consider requesting strategies from Regional Economic Communities, as appropriate. The provision encourages U.S. agencies providing trade capacity building assistance in the region to assist beneficiaries in developing and implementing these strategies. The Committee notes that some of the beneficiaries who have taken fullest advantage of the AGOA program to date include those who have developed such a strategy. The Committee believes these strategies increase awareness of the AGOA program and the breadth of benefits provided.

Section 107(b) emphasizes that AGOA Utilization Strategies should identify strategic needs and priorities to bolster AGOA utilization, including by: reviewing potential exports and identifying obstacles to increased regional integration, trade, investment and poverty reduction; developing a plan to address identified obstacles, including through full implementation of the Agreement on Trade Facilitation of the World Trade Organization; and developing a strategy to promote small businesses and entrepreneurship.

Section 107(c) requires any such report produced pursuant to Section 107(a) be published on an appropriate Internet website.

Section 108—Deepening and expanding trade and investment ties between Sub-Saharan Africa and the United States

Section 108 establishes it is the policy of the United States to deepen and expand trade and investment ties between sub-Saharan Africa and the United States.

Section 108 establishes that the United States should continue to seek all opportunities to deepen and expand ties between sub-Saharan Africa countries 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 Committee notes that as preference programs are successful in stimulating economic growth through trade and investment, expanding the rule of law, and improving work conditions in beneficiary countries, the United States should consider further developing our economic relationship with beneficiaries. Negotiation of Trade and Investment Framework Agreements and Bilateral Investment Treaties, and building toward Free Trade Agreements, should be the goal of further engagement in the region. These agreements not only ensure permanent access for current beneficiaries, but also ensure and protect U.S. opportunities to these growing markets. While economic development continues to be a factor for selecting partners to negotiate these agreements, demonstration of substantial progress toward all eligibility criteria under the AGOA program should be taken into considerable account for selecting future Trade and Investment, Bilateral Investment and Trade Agreement partners.

Section 108 establishes that the United States should promote in sub-Saharan Africa the implementation of all commitments made under the World Trade Organization agreement and negotiation of trade agreements that cover substantially all trade. The Committee recognizes that continued progress toward implementation of such commitments will further increase utilization of the AGOA program, enhance economic growth in the region, improve the rule of law and improve work conditions in sub-Saharan Africa. To ensure that sub-Saharan African countries continue progress towards becoming full, competitive partners in the international economic community, these countries should seek to negotiate agreements that cover substantially all trade, which remains the standard of the international economic community.

Section 109—Agricultural Trade Technical Assistance for Sub-Saharan Africa

Section 109 expands provisions under the AGOA program that provide agricultural technical assistance to beneficiary countries. This section increases the number of beneficiaries who may receive assistance beyond the current cap and broadens the type of technical assistance available to include food safety standards and sanitary and phytosanitary rules. The section prioritizes agricultural trade technical assistance for businesses and sectors that engage women. This section directs the President to coordinate agencies engaged in providing agricultural technical assistance when identifying which beneficiaries should receive assistance and providing assistance.

Section 110—Reports

Section 110(a) requires the President to submit a biennial comprehensive report to Congress on the trade and investment relationship between the United States and sub-Saharan Africa. The first such report must be submitted not later than one year after the date of enactment.

Section 110(b) requires the United States Trade Representative to submit to Congress every five years a report that evaluates each AGOA eligible country's path toward becoming a trade agreement partner, identifies sub-Saharan countries that have expressed an interest in entering into a free trade agreement with the United States, and establishes a plan for negotiating and concluding such agreements. The first such report must be submitted not later than one year after the date of enactment.

Section 110(c) sunsets these reports consistent with the duration of this Act.

Section 111—Technical amendments

Section 111 deletes section 104(b) of the African Growth and Opportunity Act, which is duplicative. Beyond those explicitly changed in the act, the Committee expects no change in compliance procedures as carried out under section 506A(a)(3) to result from deleting section 104(b).

Section 112—Definitions

Section 112 restates the definition of "Beneficiary sub-Saharan African Country" as described in subsection (e) of section 506A of the Trade Act of 1974 and as redesignated by this Act. And the section defines "sub-Saharan African Country" as defined in section 107 of the African Growth and Opportunity Act.

TITLE II: EXTENSION OF GENERALIZED SYSTEM OF PREFERENCES

Section 201—Extension of Generalized System of Preferences

Section 201 extends the Generalized System of Preferences until December 31, 2017. This section retroactively applies benefits to articles 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 of this Act.

Section 202—Authority to designate certain cotton articles as eligible articles only for least-developed beneficiary developing countries under Generalized System of Preferences

Section 202 authorizes the President to designate certain cotton articles, classifiable under subheadings 5201.00.18, 5201.00.28, 5201.00.38, 5202.99.30, and 5203.00.30 of the Harmonized Tariff Schedules of the United States, as eligible articles for countries designated as least-developed beneficiary developing countries under the GSP program. This section implements commitments made at the World Trade Organization to provide duty-free, quota-free treatment for certain cotton products originating from least-developed countries.

Section 203—Application of competitive need limitation and waiver under Generalized System of Preferences with respect to articles of beneficiary developing countries exported to the United States during calendar year 2014

Section 203 allows the Administration to complete the competitive need limitation review and make waiver determinations by October 1, 2015 for products entered in 2014. This section provides the Administration adequate time to review competitive need limitation petitions for products entered in 2014 while the program was lapsed.

Section 204—Elimination of the statutory exclusion for travel goods

Section 204 amends section 503(b)(1)(e) of the Trade Act of 1974 by removing the statutory exclusion for travel goods from the Generalized System of Preferences program. Removing travel goods from the list of statutorily excluded products allows producers of such goods to apply for duty-free treatment after undergoing the review process required under the Generalized System of Preferences program, including analysis from the International Trade Commission and opportunity for public comment.

TITLE III: EXTENSION OF PREFERENTIAL DUTY TREATMENT PROGRAM FOR HAITI

Section 301—Extension of Preferential Duty Treatment Program for Haiti

Section 301 extends preferential access provided under the HOPE and HELP programs through September 30, 2025.

TITLE IV: TARIFF CLASSIFICATIONS OF CERTAIN ARTICLES

Section 401—Tariff classification of recreational performance outerwear

Section 401 amends the Additional U.S. notes to Chapter 62 of the Harmonized Tariff Schedule of the United States to create new tariff lines for “recreational performance outerwear.”

Section 402—Modification of definition of certain footwear in the harmonized tariff schedule of the United States

Section 402 amends the definition of athletic footwear in the Harmonized Tariff Schedule of the United States. This section clarifies that footwear for outdoor athletic purposes that contains protective elements, such as water proofing, should be classified as "athletic" rather than "protective." Athletic footwear with features that protect against the elements is presently classified in the HTS as footwear that is protective in nature, subject to a higher tariff than general athletic footwear.

Section 403—Effective date

Section 403 indicates the changes in Title IV shall take place 15 days after enactment.

TITLE V: MISCELLANEOUS PROVISIONS

Section 501—Report on contribution of trade preference programs to reducing poverty and eliminating hunger

Section 501 requires the President to submit a report to Congress on U.S. preference program's contributions to the reduction of poverty in beneficiary countries.

TITLE VI: OFFSETS

Section 601—Customs user fees

Section 601(a) amends Section 13031(j)(3)(A) of the Consolidated Omnibus Budget Reconciliation Act of 1985 to extend the period that the Secretary of the Treasury may charge for certain customs services for imported goods from September 30, 2024 to July 7, 2025.

Section 601(b) extends the ad valorem rate for the Merchandise Processing Fee collected by Customs and Border Protection that offsets the costs incurred in processing and inspecting imports, from June 30, 2021 to September 30, 2025.

Section 602—Time for payment of corporate estimated taxes

Section 602 provides that for corporations with at least one billion dollars in assets, the corporate estimated tax due in 2020 will be increased by 5.25 percent, with the subsequent installment being reduced to reflect the prior increase.

Section 603—Improved information reporting on unreported and underreported financial accounts

PRESENT LAW

The Code requires that every person who makes a payment of reportable interest (as defined) of $10 or more to any other person during any calendar year report the aggregate amount of the payment and information identifying the recipient on an information return (Form 1099–INT) to the IRS. This report is not required to be filed for payments to exempt recipients and certain non-U.S. persons. The Code also requires that the payor furnish the corresponding information statements to payees named on the information returns showing the information that is reported to the IRS.

REASONS FOR CHANGE

A number of people have been earning income, not paying tax on that income, and using non-interest bearing financial accounts, such as non-interest bearing bank accounts, to hide this money from the IRS. In addition, a number of people, when they have earned interest of less than $10 from one payor, have not been reporting that interest income even though they are legally required to do so, because they are not receiving a Form 1099–INT with respect to that interest income. This provision addresses both of these issues.

EXPLANATION OF PROVISION

The provision revises the reporting requirement to eliminate the minimum interest threshold of $10 and applies information reporting requirements and penalties for banks and other persons that hold non-interest bearing deposits.

EFFECTIVE DATE

The provision applies to returns filed after December 31, 2015.

II. BUDGETARY IMPACT OF THE BILL

In compliance with sections 308 and 403 of the Congressional Budget Act of 1974, and paragraph 11(a) and (b) of rule XXVI of the Standing Rules of the Senate, the following letter has been received from the Congressional Budget Office on the budgetary impact of the legislation:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 11, 2015.

Hon. ORRIN G. HATCH,
Chairman, Committee on Finance,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed revised cost estimate for a bill to extend the African Growth and Opportunity Act, the Generalized System of Preferences, the preferential duty treatment program for Haiti, and for other purposes as ordered reported by the Senate Committee on Finance on April 22, 2015. This estimate revises the cost estimate that CBO provided for the legislation on May 6, 2015, because it did not include the budgetary effects of subsequent technical and conforming amendments provided to CBO on May 8, 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Grabowicz for federal spending and Ann Futrell and Susan Willie for federal revenues.

Sincerely,

KEITH HALL.

Enclosure.

S. 1267—A bill to extend the African Growth and Opportunity Act, the Generalized System of Preferences, the preferential duty treatment program for Haiti, and for other purposes

Summary: The legislation would extend reduced tariff rates imposed on products imported under the African Growth and Opportunity Act (AGOA), the Generalized System of Preferences (GSP), and the Haitian Hemispheric Opportunity through Partnership Encouragement Act. The bill also would shift some corporate income tax payments between fiscal years, expand the account information that financial institutions and others are required to report to the Internal Revenue Service (IRS), and increase the rate of certain fees collected by Customs and Border Protection (CBP) as well as extend the authority to collect those fees.

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting the bill would reduce direct spending by $5.9 billion and reduce revenues by about $5.8 billion over the 2015–2025 period—resulting in a decrease in deficits over the 11-year period of $81 million. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. CBO estimates that the Congressional reports called for under the bill would cost $1 million over the 2015–2020 period, assuming availability of appropriated funds.

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 not affect the budgets of state, local, or tribal governments. JCT has determined that the tax provisions of the bill contain no intergovernmental mandates.

CBO has determined that the nontax provisions of the legislation contain private-sector mandates on entities required to pay merchandise processing fees. CBO estimates the aggregate cost of the mandates would exceed the annual threshold established in UMRA for private-sector mandates ($154 million in 2015, adjusted annually for inflation). JCT has determined that the tax provisions of the bill contain no private-sector mandates.

Estimated cost to the Federal Government: The estimated budgetary effects of the bill are shown in the following table. The costs of this legislation fall within budget functions 750 (administration of justice) and 370 (advancement of commerce).

	By fiscal year, in millions of dollars—												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015–2020	2015–2025
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	0	0	0	0	0	0	−162	−873	−916	−962	−2,948	0	−5,861
Estimated Outlays	0	0	0	0	0	0	−162	−873	−916	−962	−2,948	0	−5,861
CHANGES IN REVENUES													
Extension of African Growth and Opportunity Act	*	−121	−130	−238	−284	−298	−312	−329	−345	−365	−387	−1,071	−2,809
Extension of General System of Preferences	−1,051	−627	−665	−173	0	0	0	0	0	0	0	−2,516	−2,516
Extension of Preferential Duty Treatment for Haiti	0	0	0	0	−12	−17	−75	−97	−101	−106	−112	−29	−520
Duty-free Treatment for Certain Footwear	*	−2	−2	−2	−2	−2	−3	−3	−3	−3	−3	−10	−25
Shift in Payment of Corporate Estimated Tax	0	0	0	0	0	3,781	−3,781	0	0	0	0	3,781	0
Improved Information Reporting on Unreported and Underreported Financial Accounts	0	7	7	8	8	9	9	10	10	11	11	39	90
Total Changes in Revenues	−1,052	−743	−790	−405	−290	3,473	−4,162	−419	−439	−463	−491	194	−5,780
NET INCREASE OR DECREASE (−) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Impact on Deficit	1,052	743	790	405	290	−3,473	4,000	−454	−477	−499	−2,457	−194	−81

Sources: Congressional Budget Office and the Staff of the Joint Committee on Taxation
Notes: This estimate assumes enactment of the bill by July 1, 2015; * = between −$500,000 and zero.
For direct spending, negative numbers indicate a decrease in outlays; for revenues, negative numbers indicate a reduction in revenues.
Components may not sum to totals because of rounding.
CBO estimates that implementing the bill would cost about $1 million over the 2015–2020 period, assuming availability of appropriated funds, to prepare Congressional reports.

Basis of estimate: For this estimate, CBO assumes that the legislation will be enacted by July 1, 2015.

Direct Spending

Under current law, the authority to charge merchandise processing fees collected by Customs and Border Protection will expire after September 30, 2024. The bill would extend the authority to collect those fees through July 7, 2025. The bill also would raise the rate of the merchandise processing fee from 0.21 percent to 0.3464 percent of the value of goods entering the U.S. for the period beginning July 1, 2021, and ending June 30, 2025. CBO estimates those actions would increase offsetting receipts (certain collections that are treated as reductions in direct spending) by about $5.9 billion over the 2021–2025 period. To project collections of merchandise processing fees, CBO assumes that the fees collected in future years will grow at the same rate seen in recent years—about 5 percent. In 2014 collections from the merchandise processing fee totaled $2.3 billion. By 2024 CBO estimates those collections will total about $2.7 billion under current law. CBO expects that the proposed increase in the fee rate would have a very minor effect on the value of goods entering the U.S.

Revenues

CBO's estimates of the revenue effects of proposals to lower tariff rates charged on imports from certain countries or on certain goods are based on historical data about the value and volume of those goods entering the United States. Using that historical data, CBO develops a baseline of future collections that accounts for expected growth in trade over the next ten years. To estimate tariff collections under the proposed legislation, CBO considers both general growth in trade as well as changes in demand that are likely to result from lower rates. The changes in revenues for each of the programs discussed below reflect the difference between the baseline estimate of collections for each program using effective tariff rates under current law and projected collections under each proposal using the proposed duty rate, net of payroll and income tax offsets. CBO assumes that the lower tariffs under the legislation would result in an increase in overall imports, as well as a diversion of imports from countries or import categories that would not be eligible for lower tariffs to those that would.

Extension of African Growth and Opportunity Act. Under AGOA the U.S. provides nonreciprocal tariff reductions to roughly 40 eligible sub-Saharan countries for certain goods that the U.S. imports. The bill would extend the authority for reduced tariffs under AGOA, which are set to expire at the end of September 30, 2015, through September 30, 2025. The bill also would extend the special rule that would apply to certain lesser-developed sub-Saharan countries under AGOA. The special rule also expires on September 30, 2015. Under this rule a lesser-developed country may export duty-free to the United States any apparel good that is assembled within the country, regardless of the origin of the fabric or yarn. In addition, the bill would revise the rules of origin for AGOA beneficiary countries under GSP to expand the value of products that would qualify for duty free treatment. CBO estimates that extending and amending AGOA would reduce revenues by $2.8 billion over the 2015–2025 period, net of payroll and income tax offsets. That estimate includes the revenue loss after December 31, 2017, from imports that are eligible for duty free treatment under GSP (which the bill would extend through December 31, 2017).

Extension of General System of Preferences. Under the GSP the U.S. affords nonreciprocal tariff reductions to approximately 130 developing countries. Generally, duty-free treatment of imported goods from GSP-designated developing countries is extended to products that are predominately produced only in those countries. The bill would renew GSP, which expired on July 31, 2013, and continue its authority through December 31, 2017. Under the bill, importers or exporters that would have otherwise qualified for reduced tariffs under GSP could obtain refunds for tariffs paid after July 30, 2013, that would not have been payable had GSP been in effect. CBO estimates that renewing GSP would reduce revenues by $2.5 billion over the 2015–2025 period, net of payroll and income tax offsets. This estimate includes the cost, through December 31, 2017, of imports that are eligible for duty free treatment under the African Growth Opportunity Act (which would be extended through 2025 under this bill).

Extension of Preferential Duty Treatment for Haiti. Under the Haitian Hemispheric Opportunity through Partnership Encouragement Act, certain textile and apparel goods imported to the U.S. from Haiti are eligible for duty-free treatment if restrictions regarding the source of the yarns and fabrics used in the imported goods are met. Portions of this program will begin to expire in 2016; the bill would extend this duty-free status through 2025. CBO estimates that enacting this provision would reduce revenues by $520 million over the 2015–2025 period, net of payroll and income tax offsets.

Duty Treatment for Certain Footwear. The bill would establish new categories in the Harmonized Tariff Schedule (HTS) for specialized athletic footwear that would enter the United States at a reduced duty rate. Footwear imports that meet the criteria for these new categories currently are charged a duty rate of 37.5 percent, the rate would fall to 20 percent under the bill. In 2014, imports in the HTS categories that include, among other things, articles that would be eligible for duty-free treatment under the bill totaled about $33 million. Based on information from the International Trade Commission and industry sources familiar with the provisions of the bill, CBO expects that nearly 75 percent of that amount would be eligible for the lower duty treatment. That percentage includes products expected to be imported under current law that would qualify for the lower duty rate under the bill and other imports that would shift from other dutiable categories. The estimate of revenue losses is partially offset by customs duties from new trade that would be generated as a result of the lower duty status. CBO estimates that enacting this provision would reduce revenues by $25 million over the 2015–2025 period, net of payroll and income tax offsets.

Shift in Payment of Corporate Estimated Tax. The legislation would shift payments of corporate estimated taxes between fiscal years 2020 and 2021. 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 2020. The staff of the JCT estimates that those changes would increase revenues by $3.8 billion in 2020 and reduce revenues by the same amount in 2021.

Improved Information Reporting on Unreported and Underreported Financial Accounts. The legislation would expand the account information that financial institutions and others are required to report to the IRS and the holder of specified accounts. In particular, this information would have to be provided for interest bearing accounts when the annual interest earnings are less than $10, the threshold for reporting under current law, and also would have to be provided for certain non-interest bearing accounts that are currently not subject to reporting requirements. The staff of the JCT estimates that enacting this provision would increase revenues by $90 million over the 2015–2025 period.

Travel Goods. Under section 204, the President would have the discretion to eliminate import duties on travel goods brought to the U.S. from countries eligible for preferential tariff treatment under GSP. Another provision of the legislation would extend GSP authority through December 31, 2017. Travel goods are a category of consumer goods that includes handbags and luggage. In 2014, about $60 million in duties were collected for travel goods imported to the U.S. from countries eligible for GSP.

Based on information from the U.S. Trade Representative regarding past decisions made by the Administration to reduce duty rates, CBO expects that the likelihood of the President selecting any or all of the items in the travel goods category for this special treatment is quite small. Thus, CBO estimates this section would reduce revenues by less than $500,000 over the 2015–2025 period.

Spending subject to appropriation

The bill would require the United States Trade Representative to prepare a series of reports on trade activities with sub-Saharan African countries and their interest in entering into free trade agreements with the United States. Based on the cost of similar reports, CBO estimates that the costs to prepare that series would be significantly less than $500,000 annually, and would total about $1 million over the 2015–2020 period.

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 AN ORIGINAL BILL, AS ORDERED REPORTED BY THE SENATE COMMITTEE ON FINANCE ON APRIL 22, 2015

	By fiscal year, in millions of dollars—												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015–2020	2015–2025
	NET INCREASE OR DECREASE (−) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	1,052	743	790	405	290	−3,473	4,000	−454	−477	−499	−2,457	−194	−81
Memorandum:													
Changes in Outlays	0	0	0	0	0	0	−162	−873	−916	−962	−2,948	0	−5,861
Changes in Revenues	−1,052	−743	−790	−405	−290	3,473	−4,162	−419	−439	−463	−491	194	−5,780

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 not affect the budgets of state, local, or tribal governments. JCT has determined that the tax provisions of the bill contain no intergovernmental mandates.

Estimated impact on the private sector: CBO has determined that the nontax provisions of the legislation would impose private-sector mandates, as defined in UMRA, on entities required to pay merchandise processing fees. The bill would extend those fees through July 7, 2025; the fee rates would increase beginning July 1, 2021, and ending June 30, 2025. Some of the entities that are required to pay merchandise processing fees may also accrue savings related to the preferential tariff treatment accorded to certain products that would be extended under the bill. However, CBO estimates that the aggregate cost of the mandates would exceed the annual threshold established in UMRA for private-sector mandates ($154 million in 2015, adjusted annually for inflation). JCT has determined that the tax provisions of the bill contain no private-sector mandates.

Previous CBO estimate: On May 6, CBO transmitted a cost estimate for a bill to extend the African Growth and Opportunity Act, the Generalized System of Preferences, the preferential duty treatment program for Haiti, and for other purposes after the Senate Finance Committee ordered the legislation reported on April 22, 2015. That estimate did not include the effects of technical and conforming amendments subsequently provided to CBO by the Senate Finance Committee on May 8, 2015, that reduced the cost of the legislation by $156 million over the 2015–2025 period. This cost estimate of the legislation as ordered reported revises the CBO cost estimate provided on May 6, 2015 to incorporate those effects.

On April 29, 2015, CBO transmitted a cost estimate for H.R. 1891, a bill to extend the African Growth and Opportunity Act, the Generalized System of Preferences, the preferential duty treatment program for Haiti, and for other purposes, as ordered reported by the House Ways and Means Committee on April 23, 2015. The Senate committee bill contains a provision that would provide duty-free treatment for certain shoes, which would reduce revenues by $25 million over the 2015–2025 period that was not included in the House committee bill. The Senate committee's bill also includes a provision regarding information reporting on unreported and underreported financial accounts that was not included in the House committee bill. Otherwise, CBO's estimates of the budgetary effects of the Senate and House committee bills are the same.

Estimate prepared by: Federal Costs: Mark Grabowicz; Federal Revenues: Ann Futrell, Susan Willie, Mark Booth, and staff of the Joint Committee on Taxation; Impact on state, local, and tribal governments: Jon Sperl; Impact on the private sector: Paige Piper/Bach.

Estimate approved by: Theresa Gullo, Assistant Director for Budget Analysis.

MAY 11, 2015.

Hon. ORRIN G. HATCH,
Chairman, Committee on Finance,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed revised cost estimate for a bill to extend the African Growth and Opportunity Act, the Generalized System of Preferences, the preferential duty treatment program for Haiti, and for other purposes as ordered reported by the Senate Committee on Finance on April 22, 2015. This estimate revises the cost estimate that CBO provided for the legislation on May 6, 2015, because it did not include the budgetary effects of subsequent technical and conforming amendments provided to CBO on May 8, 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Grabowicz for federal spending and Ann Futrell and Susan Willie for federal revenues.

Sincerely,

KEITH HALL.

Enclosure.

III. VOTES OF THE COMMITTEE

In compliance with paragraph 7(c) of rule XXVI of the Standing Rules of the Senate, the following statements are made concerning the roll call votes in the Committee's consideration of the original bill to extend the African Growth and Opportunity Act, the Generalized System of Preferences, the preferential duty treatment program for Haiti, and for other purposes.

A. MOTION TO REPORT THE BILL

An original bill to extend the African Growth and Opportunity Act, the Generalized System of Preferences, the preferential duty treatment program for Haiti, and for other purposes, was ordered favorably reported by voice vote with a quorum present on April 22, 2015.

B. VOTES ON AMENDMENTS

(1) An amendment to require the President to conduct an out-of-cycle review of South Africa was agreed to by voice vote.

(2) An amendment to promote the role of women in social and economic development in sub-Saharan Africa was agreed to by voice vote.

(3) An amendment sponsored by Senator Toomey to benefit American Citizens and strengthen the economies of America's most vulnerable trading partners. Defeated by roll call vote, 10 ayes, 16 nays:

Ayes—Isakson, Portman, Toomey, Coats, Heller, Scott (proxy), Menendez, Carper (proxy), Casey, Warner (proxy).

Nays—Hatch, Grassley, Crapo, Roberts, Enzi, Cornyn (proxy), Thune, Burr, Wyden, Schumer, Stabenow, Cantwell, Nelson, Cardin, Brown (proxy), Bennet.

(4) An amendment to extend the tariff preference level on certain imports of textiles from Bahrain under the United States-Bahrain

Free Trade Agreement, with an offset. Defeated by roll call vote, 10 ayes, 16 nays:

Ayes—Toomey, Wyden, Schumer, Stabenow, Cantwell, Nelson, Menendez, Cardin, Bennet, Warner (proxy).

Nays—Hatch, Grassley, Crapo (proxy), Roberts, Enzi, Cornyn (proxy), Thune, Burr, Isakson, Portman, Coats, Heller, Scott, Carper (proxy), Brown, Casey.

IV. REGULATORY IMPACT OF THE BILL

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee states that the resolution will not significantly regulate any individuals or businesses, will not affect the personal privacy of individuals, and will result in no significant additional paperwork.

The following information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (UMRA) (Pub. L. No. 104—04). The Committee has reviewed the provisions of S. 3326 as approved by the Committee on July 18, 2012. In accordance with the requirement of Pub. L. No. 104–04, the Committee has determined that the bill contains no intergovernmental mandates, as defined in the UMRA, and would not affect the budgets of state, local, or tribal governments.

V. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In the opinion of the Committee, in order to expedite the business of the Senate, it is necessary to dispense with the requirements of paragraph 12 of rule XXVI of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill as reported by the Committee).

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