

**DESCRIPTION OF THE CHAIRMAN’S MODIFICATION
TO THE “U.S. – KOREA FREE TRADE AGREEMENT
IMPLEMENTATION ACT”**

Scheduled for Markup
by the
Senate Committee on Finance
on June 30, 2011

I. Introduction

This document provides a description of the Chairman’s modification to the provisions of the “United States – South Korea Free Trade Agreement Implementation Act,” which is scheduled to be marked up by the Senate Committee on Finance on June 30, 2011.

II. Modifications to the Original Bill

A. Modifications to Customs User Fees

1. Modifications to the Merchandise Processing Fee

a. Modifications to the Merchandise Processing Fee Rate

Present Law

In general, section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) requires the Secretary of Treasury to charge and collect a fee of .21 percent *ad valorem* on merchandise formally entered or released into the United States.

Description of Proposal

The proposal would raise the fee rate from .21 percent *ad valorem* to .343 percent *ad valorem*.

Effective Date

The proposal is effective on the date of enactment.

2. Extension of Customs User Fees

Present Law

Section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”)¹ authorized the Secretary of the Treasury to collect certain service fees. Section 412 of the Homeland Security Act of 2002² authorized the Secretary of the Treasury to delegate such authority to the Secretary of Homeland Security. Provided for under 19 U.S.C. 58c, these fees include: processing fees for air and sea passengers, commercial trucks, rail cars, private aircraft and vessels, commercial vessels, dutiable mail packages, barges and bulk carriers, merchandise, and Customs broker permits. COBRA was amended on several occasions. The current authorization for the collection of the passenger and conveyance processing fees is through January 7, 2020. The current authorization for the collection of the merchandise processing fees is through January 14, 2020.³

Description of Proposal

The proposal extends the merchandise processing fees authorized under section 13031(j)(3)(A) of COBRA through December 17, 2020 and extends the passenger and conveyance processing fees authorized under 13031(j)(3)(B)(i) of COBRA through November 10, 2020.

Effective Date

The proposal is effective on the date of enactment.

3. Revision to the Medicare Improvement Fund

Present Law

Current law includes bonuses for hospitals and physicians to become meaningful users of electronic health records. Beginning in 2015, Medicare providers that fail to become meaningful users are subject to a penalty. After 2019, these penalties are credited to the Medicare Improvement Fund.

¹ Pub. L. No. 99-272.

² Pub. L. No. 107-296.

³ For fiscal years after September 30, 2005, the Secretary is to charge fees in amounts that are reasonably related to the costs of providing customs services in connection with the activity or item for which the fee is charged.

Description of Proposal

This provision would divert these penalties from the Medicare Improvement Fund an additional year, through 2020.

Effective Date

The proposal is effective on the date of enactment.