Insight

Primer: Miscellaneous Tariff Bills

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Miscellaneous tariff bills (MTBs) are legislative proposals to reduce or temporarily suspend tariffs or duties on certain imports. Many of these duties are imposed on imports that are used as components in American manufacturing, and the goods generally are not produced in the U.S.

The last MTB expired in December 2012 and Congress has yet to pass another one amid a debate about whether these duty suspensions are considered earmarks. While this argument continues without resolution, U.S. manufacturers face millions of dollars in additional costs, resulting in billions in lost economic activity. The ongoing debate about MTBs and earmarks could be resolved by modernizing the process by which MTBs are submitted.

Process

The process to introduce MTB legislation is lengthy, with multiple steps through congressional committees of jurisdiction, the U.S. Trade Representative (USTR), Customs and Border Protection (CBP), the Department of Commerce, and the U.S. International Trade Commission (USITC).

The House Ways and Means Committee and Senate Finance Committee invite Members of Congress to submit legislation to propose specific duty suspensions. The bills approved by the Committee are consolidated into an MTB. Each duty suspension included in the MTB must meet three requirements: (1) there must be no domestic producer objecting to the suspension; (2) the suspension must be in the interest of downstream manufacturers and consumers; and (3) the revenue loss from the suspension must be no more than $500,000 per product per year. [1]

While reviewing the duty suspension bills, the trade subcommittees solicit input from the

USTR, CBP, Department of Commerce, USITC, and the public. The goal is to ensure that any tariffs targeted for suspension fit the three criteria listed earlier. If an objection is raised to any proposed suspension, it is dropped from the MTB. [2]

The USITC has the most work-intensive role of the agency and executive branch reviewers, preparing memoranda on each proposed duty suspension. The USITC researches the goods targeted for duty suspension, contacting manufacturers and industry groups to determine if there are any objections to the duty suspension, if the good is produced domestically, the volume of trade in the particular good, and an estimate of the amount of revenue that will be lost if the tariff is temporarily suspended. [3]

The Department of Commerce performs a similar analysis to USITC's, and it often coordinates its efforts with USITC. CBP makes recommendations regarding the administration of the duty suspensions. The USTR analyzes how the temporary duty suspensions may impact broader trade policy and negotiations. [4]

The duty suspensions that make it through this process without objections are combined into an MTB that is non-controversial—able to pass on unanimous consent or by a suspension of the rules.

Economic Impact

According to the National Association of Manufacturers, U.S. manufacturers that rely on imports as production inputs are facing significant costs without a current MTB. After the last MTB expired in 2012, manufacturers saw their production costs increase by $748 million. Over three years, this amounts to $1.857 billion in economic losses. [5]

A study analyzing the MTB package from 2010 determined that it supported 90,000 U.S. manufacturing jobs, increased production by $4.6 billion, and expanded U.S. GDP by $3.5 billion. [6]

Controversy

MTBs are caught in an endless debate about whether the duty suspensions are earmarks or a smart, pro-growth tax cut.

Those who believe MTBs are earmarks argue that these duty suspensions benefit too few companies. Under the congressional earmark ban, any duty suspension affecting 10 or fewer companies is not allowed. Opponents also decry the process, with companies petitioning Members of Congress to sponsor a duty suspension. The many steps required to get a duty suspension into an MTB may put small businesses at a disadvantage. Finally, an

MTB is temporary, narrow, and may prevent Congress from instituting broad, long-term tariff reduction. [7]

MTB proponents argue that while each duty suspension is proposed by individual companies, any entity in the U.S. that imports the targeted goods will benefit. [8] MTBs are essentially tax cuts rather than directed spending. [9] The extensive MTB process is transparent and subject to public comment. [10] The direct beneficiaries are narrow, but the economic impact on U.S. manufacturing is broad. [11] While long-term tariff relief may be preferable, the short term relief of an MTB allows U.S. manufacturers to benefit even when long-term relief is not politically feasible.

Efforts to Reform

Proponents of MTBs in Congress have introduced legislation over the last few years to reform the process to make it more efficient and remove the stigma of earmarks. The American Manufacturing Competitiveness Act, for example, could improve the transparency of the MTB process, and allow the public to apply directly for tariff relief to the USITC, rather than through their elected officials. [12] The bill passed the Senate as an amendment to the Trade Facilitation and Trade Enforcement Act of 2015, which is currently in conference with the House.

Another option is to instruct businesses seeking tariff relief to submit requests directly to the House Ways and Means Committee. Much like the provision in the American Manufacturing Competitiveness Act, this approach would address concerns that MTB requests are earmarks submitted by individual Members, but would still allow for congressional input in the process. Whether Congress decides on one of these solutions, or on some other mechanism by which to allow MTBs to move forward, a remedy to the current impasse is critical. The delay in addressing unnecessary and ineffective tariffs is a drag on business growth, and an impediment to domestic manufacturing that should be quickly and sensibly addressed.

Conclusion

MTBs are important policy tools that help U.S. manufacturing stay competitive. While narrow in scope, they have sizable economic impact. Domestic manufacturing has suffered since the most recent MTB expired, and consideration of new MTBs has been stalled due to a fight over earmarks. A small but important change in the MTB procedure could solve this problem and allow Congress to move forward with temporary tariff relief.

[1] Griswold, Daniel, "The Miscellaneous Tariff Bill: A Blueprint for Future Trade Expansion," Cato, September 9, 2010, available at http://object.cato.org/sites/cato.org/files/pubs/pdf/tbp-030.pdf.
[2] CRS Report RL33867, Miscellaneous Tariff Bills: Overview and Issues for Congress, by Vivian C. Jones, available at https://www.fas.org/sgp/crs/misc/RL33867.pdf.
[3] Ibid.
[4] Ibid.
[5] National Association of Manufacturers Miscellaneous Tariff Bill Backgrounder, June 16, 2014, available at http://www.nam.org/Issues/Trade/MTB/MTB-6-6-14.pdf.
[6] Andrew Szamosszegi, "Economic Impact of the Miscellaneous Tariff Bill," Capital Trade, Inc., July 9,2009, available at http://www.mtbcoalition.com/CapitalTrade_MTB_Report_7_09.pdf.
[7] The Heritage Foundation, "Tariff Reform: Flawed MTB Process Limits Tariff Relief, Violates Earmark Moratorium," May 24, 2013, available at http://www.heritage.org/research/factsheets/2013/05/tariff-reform.
[8] Murphy, John G., "Trade's Unfinished Business: The Miscellaneous Tariff Bill," U.S. Chamber of Commerce, April 10, 2015, available at https://www.uschamber.com/blog/trade-s-unfinished-business-miscellaneous-tariff-bill.
[9] Ibid.
[10] Ibid.
[11] U.S. Congress, House Committee on Ways and Means, Subcommittee on Trade, Chairman Camp, Ranking Member Levin, Chairman Brady, and Ranking Member McDermott Kick Off Pro-Growth, Pro-Job Miscellaneous Tariff Bill Process, Dear Colleague Letter, 112th Cong., 2nd sess., March 30, 2012, available at http://waysandmeans.house.gov/UploadedFiles/Dear_Colleague_-_MTB_Guidance_FINAL_v.1.pdf.
[12] American Manufacturing Competitiveness Act, S. 990, 114th Congress (2015).