

International Trade Alert

May 26, 2016

Congress Passes MTB Reform Legislation

Congress has enacted new legislation, the American Manufacturing Competitiveness Act of 2016 (H.R. 4923), which offers a unique opportunity for U.S. companies whose imported goods require the payment of tariffs (i.e., normal customs duties) under the Harmonized Tariff Schedule of the United States. Signed by President Obama on May 20, H.R. 4923 establishes new, more predictable procedures for obtaining duty relief through the Miscellaneous Tariff Bill (MTB) process.

For more than three decades, the MTB has provided companies with an opportunity to reduce unnecessary overhead costs by reducing or eliminating duties on imported goods not made or commercially available domestically. The new, reformed MTB process provides greater certainty for U.S. companies, improving their competitiveness in the global marketplace.

What is the MTB?

The MTB is omnibus legislation typically containing hundreds of specific provisions to reduce or eliminate duties on imported products not made in the United States. Many of these products are inputs necessary to manufacture a finished product, though finished products can also be eligible for duty savings.

To be eligible for inclusion in the MTB, each product must satisfy three general criteria:

1. There must be no domestic production of the proposed MTB product (in some cases, a product may still be eligible despite domestic production, if no competing U.S. company objects).
2. The cost to the U.S. Treasury from the loss of tariff revenue may be no greater than \$500,000 in a calendar year.
3. Inclusion of the product must generally be considered noncontroversial, which tends to mean that no member of Congress objects.

The New MTB Process

In a departure from the past process for compiling the MTB, the new process now begins at the U.S. International Trade Commission (ITC). The key steps in the new process are as follows:

1. ITC Requests Petitions, October 15, 2016 – The ITC will announce the opening of a 60-day period in which persons may file petitions for proposed duty suspensions or reductions. The ITC will initiate the same process again on October 15, 2019, for the purpose of compiling the next MTB.
2. Public Comment Period – After the 60-day period expires, but no later than January 13, 2017, the ITC will publish the submitted petitions and request public comments for a 45-day period.

3. Preliminary Report to Congress – Between mid-April and mid-June, approximately 180 to 240 days after the initial October 15, 2016, petition announcement, the ITC will send to Congress a preliminary report of all filed petitions. The ITC's report will offer a preliminary assessment of each product's eligibility.
4. Final Report to Congress – No later than 60 days (or no later than mid-July 2017) after submitting the preliminary report, the ITC shall submit a final report to Congress on each petition for a duty suspension or reduction.

Congressional Consideration of the MTB

After reviewing the ITC's report, the House Ways and Means Committee and the Senate Finance Committee will prepare MTB legislation based on the ITC's recommendations. Importantly, Congress cannot insert new products to the ITC's list of eligible products, but it may exclude products already on the list. There is no deadline for the introduction or enactment of MTB legislation. Any duty savings would become effective on a date specified in the eventual MTB legislation, which could occur as soon as the third or fourth quarter of 2017.

Contact Information

Akin Gump Strauss Hauer & Feld LLP will continue to monitor developments related to the MTB and will issue updates as warranted. For more information, please contact:

Hal S. Shapirohshapiro@akingump.com

+1 202.887.4053

Washington, D.C.

Lars Hjelmlhjelm@akingump.com

+1 202.887.4175

Washington, D.C.

John R. Gillilandjgilliland@akingump.com

+1 202.887.4166

Washington, D.C.

Zachary W. Paulsenzpaulsen@akingump.com

+1 202.887.4061

Washington, D.C.