

July 25, 2013

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C.

Dear Leader McConnell,

I write to inform you that I recently objected to a unanimous consent agreement to pass S. 1331, legislation to amend the Trade Act of 1974 to extend the Generalized System of Preferences (GSP) until September 30, 2015.

While I support the GSP program, which promotes economic growth in developing nations and lowers costs for domestic producers and consumers, I have concerns with the offsets used in this bill.

During consideration of the African Growth and Opportunity Act (AGOA) in the 112th Congress, I wrote to you and AGOA's sponsors regarding my intention to oppose that bill and any future bills which utilize budget gimmicks such as the "corporate timing shift" or offsets in years well after the bill's spending provisions have expired.

Ultimately, I agreed to passage of AGOA in exchange for assurances that future bills would avoid the use of these offsets. Nonetheless, S. 1331 includes the very same gimmicks that were present in AGOA.

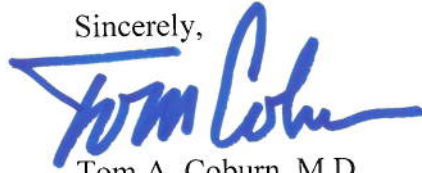
First, S. 1331 extends the GSP program for two years, incurring costs of \$869 million, yet does not offset those costs until 2022—seven years after the GSP extension has expired. Specifically, S. 1331 extends customs user fees by 90 days in 2022 to pay for separate spending that occurs in 2013-2015. As numerous reports by the Government Accountability Office (GAO) have made clear, there is sufficient waste in the federal budget to offset these costs during the period in which the GSP extension is in effect.

Second, S. 1331 employs the so-called "corporate timing shift," a gimmick that arbitrarily increases the tax liability of certain corporations in year five of the scoring window, only to refund that amount in year six. This provision forces companies to provide what is essentially an interest free loan to the federal government, solely for the purpose of making the bill appear budget-neutral.

While I am aware that both of these offsets have been used in the past, I again submit to you that Washington budget gimmicks are precisely why our nation is in such a perilous fiscal position. Thus, I must reiterate that I not only oppose the use of these gimmicks in S. 1331, but will oppose their use in any future legislation.

In conclusion, I do not doubt the positive impact the GSP program has had on developing nations or the benefits it has provided to American businesses and consumers. I fully support an extension of the program and hope Congress will do so in a fiscally responsible manner. I am more than happy to work with the bill's sponsors in this regard.

Sincerely,

A handwritten signature in blue ink that reads "Tom Coburn". The signature is stylized with a large, sweeping "T" and "C".

Tom A. Coburn, M.D.
United States Senator

cc: The Honorable Harry Reid
cc: The Honorable Max Baucus
cc: The Honorable Orin Hatch