



**CONGRESSIONAL BUDGET OFFICE  
PAY-AS-YOU-GO ESTIMATE**

January 11, 2002

**H.R. 1088**  
**Investor and Capital Markets Fee Relief Act**  
*As cleared by the Congress on December 20, 2001*

**SUMMARY**

H.R. 1088 would adjust the fees and assessments that the Securities and Exchange Commission (SEC) is authorized to collect for transactions, registrations, and mergers of securities. Some of those fees and assessments have been recorded in the budget as governmental receipts (revenues) and some as offsetting collections that are credited against discretionary appropriations for the SEC. The act would reclassify all SEC fees and assessments as offsetting collections and adjust the fee rates. CBO estimates that H.R. 1088 would reduce governmental receipts by \$1.3 billion in 2002 and by \$9.5 billion over the 2002-2006 period.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. This act would not affect direct spending. The estimated changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

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**Estimated Impact of H.R. 1088 on Direct Spending and Receipts**

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	By Fiscal Year, in Millions of Dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays										Not applicable
Changes in receipts	-1,261	-1,804	-1,984	-2,152	-2,317	-988	-1,000	-1,073	-1,153	-1,238

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## **BASIS OF ESTIMATE**

H.R. 1088 would restructure all four types of SEC collections: transaction fees, registration fees, merger and tender fees, and assessments on the trading of single stock futures. Under current law, transaction fees are equal to 1/300th of a percent of the aggregate dollars traded through national securities exchanges, national securities associations, brokers, and dealers. The current registration fee is \$239 per \$1 million of the maximum aggregate price for securities that are proposed to be offered. Merger fees are set at \$200 per \$1 million of the value of securities proposed to be purchased as part of a merger. Finally, all trades of single stock futures are subject to a fee of 2 cents per transaction. The rates for each fee are scheduled to fall in 2007.

Current law classifies as offsetting collections all transaction fees from national securities associations and a portion of the registration fees. All other SEC fees are recorded as governmental receipts (or revenues). Under current law, CBO estimates that the SEC would collect a total of about \$17.7 billion during the 2002-2006 period, of which \$9.9 billion would be revenues and \$7.8 billion would be offsetting collections.

H.R. 1088 would reclassify all SEC fees as offsetting collections and restructure or reduce the fee rates. Therefore, revenues would decline to zero in every year except 2002. For this estimate, CBO assumes that the Administration would not reclassify as offsetting collections the revenues collected so far in fiscal year 2002.

CBO estimates that implementing H.R. 1088 would reduce revenues by \$9.5 billion over the 2002-2006 period. Over the same period, the act would increase offsetting collections by about \$100 million, assuming the necessary appropriation action. However, the changes in offsetting collections are not subject to pay-as-you-go procedures. In sum, implementing the bill would cause total collections of SEC fees to decline by \$9.4 billion during the 2002-2006 period and by \$14.5 billion over the 2002-2011 period.

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