

Measure Eliminating 'Shoe Tax' Picks Up House Support

Congress Daily
Fri. Jun. 20, 2008
by Peter Cohn

A bipartisan group totaling one-third of all House members has signed on to legislation that would eliminate import tariffs on low- to moderate-priced footwear and all children's shoes. Introduced last year by Reps. **Joseph Crowley**, D-N.Y., **Kevin Brady**, R-Texas, and **Nancy Boyda**, D-Kan., the bill to eliminate the so-called "shoe tax" has been submitted for inclusion in the biennial miscellaneous tariff bill. Tariffs on imported shoes run from 8.5 percent for leather dress shoes to as high as 67.5 percent for cheaper sneakers, which critics call a regressive tax that falls predominantly on the poor as the costs are passed down. The protective tariff was first instituted in the 1930s, but most domestic shoe-making has long since moved overseas, largely to China.

"The shoe tax has worn out its purpose and remains as an unavoidable, harmful tax on something everyone must buy -- shoes," American Apparel and Footwear Association president and CEO Kevin Burke said Thursday, when the bill reached 145 cosponsors. The Senate version is authored by Sens. **Gordon Smith**, R-Ore., and **Maria Cantwell**, D-Wash. Major retail chains including Target and Wal-Mart support the bill, as do household names like Nike, Adidas and Timberland, as well as smaller outfits like the six-person Right Stuff Inc., which sells seasonal footwear. Even the few remaining domestic shoe manufacturers, such as New Balance, back the bill since it would keep in place some tariffs on certain high-end athletic shoes and protective rubber footwear like firemen's boots.

Backers are citing the economic downturn as reason enough to get the bill enacted. Topeka, Kan.-based Collective Brands Inc., which owns Payless ShoeSource and Stride Rite Corp., is among its chief backers. In a letter to the House Ways and Means Committee, president and CEO Matthew Rubel wrote that when Payless sells a \$14.99 pair of canvas upper, rubber-soled children's shoes, as much as one-third of that price is reflected in the import duties. "No one can be sure how long these vulnerable times will last or how deeply they will affect our economy. One thing is certain; our customers would feel more confident if they had more money in their pockets," Rubel wrote.

Shoe tariffs are on average about 10 times higher than on other products. Imported children's toys, for example, generally face zero tariffs. Last year the United States collected about \$1.9 billion in footwear tariffs. The Crowley-Smith legislation would eliminate duties on about 60 percent of the shoes in the United States, resulting in a revenue loss to the Treasury of around \$800 million annually. Over 10 years, that translates into \$8.7 billion, according to Crowley's office. He asserts that it would end up being "almost revenue-

neutral" because people would end up buying more shoes and paying more taxes. Suspending the duties for a shorter period of time might be more palatable, considering pay/go rules; although the cost-limit for inclusion in a miscellaneous tariff bill is \$500,000 annually.

The bill could move as part of a package of trade-preferences extensions, which could get wrapped together with the tariff suspensions in a year-end trade bill. That might provide a more appropriate vehicle to address the concerns of Mexico and the Dominican Republic, which oppose the Crowley-Smith bill. They argue cheaper imports from China would drastically undercut their U.S. market share as well as others that have duty-free access, such as certain African countries. "This bill, if passed, would make our footwear industry disappear and threaten our fragile economy," Dominican Republic President Lionel Fernandez wrote to the Ways and Means panel.