



THE AFFORDABLE FOOTWEAR ACT OF 2011

H.R. 2697

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Section 1: Short Title.

“The Affordable Footwear Act of 2011”

Section 2: Findings.

Congress finds that:

- (1) Duties collected on footwear were approx. \$2 billion during 2010.
- (2) Duty rates on footwear items are among the highest in the U.S. tariff code.
- (3) Rates were set at a time when they served the purpose of protecting an industry.
- (4) Remaining U.S.-produced footwear is 1% of U.S. consumption, which AFA does not affect.
- (5) Footwear duties are a hidden, regressive tax.
- (6) Duty rates disproportionately impact lower-income consumers.
- (7) The outdoor industry develops innovative/high performance footwear, promoting healthy lifestyles.

Section 3: Sense of Congress.

It is the sense of Congress that:

- (1) There is no U.S. production of many footwear articles.
- (2) Elimination/reduction of duties on such footwear will not negatively affect U.S. employment.
- (3) Elimination/reduction of duties on such footwear will result in lower consumer prices.

Section 4: Suspension of Duties on Certain Footwear.

- (a) Definitions inserted into the U.S. Notes to subchapter II of chapter 99 of the HTS.
- (b) Amendments to the HTS:

List of non-controversial footwear items that are subject to temporary duty suspensions for a period of 3 years, including:

- Children’s shoes;
- Low-cost shoes with high duty rates;
- Other high-duty rate shoes; Certain outdoor/hiking shoes;
- Certain footwear approved through Miscellaneous Tariff Bill (MTB) process.



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AFA IS NEEDED NOW

- For many years, the average retail price of mass market footwear has remained essentially flat. This has been a boon for consumers who have benefited from improved supply chain efficiencies and tightly managed input costs.
- Consumers have also benefited from the highly competitive footwear marketplace. The retail price of footwear is highly sensitive and responsive to changes in cost. Data show when costs have risen, prices have risen. When costs have fallen, competition ensured prices fell, too.
- Unfortunately, the cost of making shoes now is climbing. This escalation in prices, due to a rapid rise in costs of raw materials, energy, labor and shipping, will become all too apparent to American consumers within the year.
- Through the AFA, Congress has an opportunity help shield America's most vulnerable families from the coming inflationary pressures in the footwear market by correcting an out-dated tariff system. The AFA temporarily suspends for three years U.S. tariffs on certain types of **non-controversial** imported footwear.
- To the detriment of the American consumer, shoes have some of the highest tariff rates of any imported good. Established in the 1930s through the Smoot-Hawley Tariff Act, these shoe tariffs can be as high as 37.5%, 48%, and in some extreme cases 67% upon import, while the average U.S. tariff for all products is less than 2%.
- Ironically, in many instances the duty is highest on low-cost footwear. For example, a \$15.00 children's canvas sneaker might face a duty rate of 48% while a luxury pair of imported leather shoes is generally assessed at a rate of 8% - 10%.
- A tax on a necessity like shoes is regressive because it consumes a larger portion of a lower-income family's paycheck. The shoe tariff is doubly-regressive because the tax is higher on shoes which are sold on the mass market to America's low and moderate-income consumers.
- In 2010, U.S. importers paid \$2 billion in duties on footwear. The highly competitive footwear industry has a standard retail mark-up of about three times the import cost. Thus, approximately \$2 billion in paid duties amounts to approximately \$6 billion in extra cost being paid by hard-working American families.



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BENEFITS TO U.S. EMPLOYMENT & U.S. BUSINESSES

- The economic downturn has hit America's low and moderate income families hard. AFA delivers targeted relief to those families who need it most by eliminating import duties (taxes) on low-cost footwear and children's shoes, which will help to lower the retail price of shoes.
- AFA was drafted carefully in conjunction with the domestic shoe industry to ensure none of the shoes which are still produced in this country are negatively impacted by the bill. AFA only eliminates duties on imported footwear.
- The 14.4 million workers employed in the U.S. retail sector have been hit hard by the overall economic crisis. Traditionally, footwear jobs account for 3% of the overall U.S. retail sector. Therefore, of the 14.4 million U.S. retail jobs, approximately 400,000 are footwear related.
- Now more than ever it is time to pass The Affordable Footwear Act and finally do away with this outdated regressive and hidden shoe tax. The foregone government revenue is well worth the benefits this Act will deliver in terms of job creation and support for struggling U.S. families and retailers.

AFA SUPPORTS AND CREATES JOBS

- AFA creates jobs by allowing footwear consumers to keep more of their hard-earned pay check and spend it elsewhere in the economy. Whether that means buying more shoes or clothing or anything else, that money will be put to productive, job-stimulating use by consumers.
- CBO estimates the amount of revenue foregone as a result of AFA to be approximately \$600 million annually (less than half of \$2 billion total annual footwear duties collected). But the cost to American families from this tax is far higher. The duty paid on these shoes is marked-up just like all costs are to arrive at the retail price. As a rule of thumb, industry analysts assume every dollar of duty adds about three dollars at the cash register. Thus, the \$600 million in duties now collected on footwear that would be removed under AFA is actually a nearly \$2 billion tax burden on consumers.
- Based upon the methodology used by the Administration to calculate the jobs impact of other tax reductions, the \$2 billion in estimated savings AFA would deliver to consumers will support approximately 20,000 additional U.S. jobs.
- In addition, over \$70 million of the value of the shoes covered by AFA represents U.S.-made components, including high-tech textile liners, leather, outsoles and other specialized inputs – and these represent U.S. export jobs.