Commercial Customs Operations Advisory Committee (COAC)

Government Issue Paper: Revenue Modernization (Rev Mod) Initiative

March 1, 2017

U.S. Customs and Border Protection

<u>**U.S. CUSTOMS AND BORDER PROTECTION (CBP)**</u>

<u>**REVENUE MODERNIZATION (REV MOD) INITIATIVE**</u>

<u>**TALKING POINTS:**</u>

CBP collects approximately $45 billion annually in duties, taxes and fees, including funding related to the Treasury Forfeiture Fund account and seizure activity. This revenue is used throughout the Government to support critical programs and to promote U.S. trade and travel.

Although CBP collects the majority of revenue electronically, over **$2.5 billion** is collected through **checks and cash**, and $1.5 billion (approximately 62.5 percent) is collected at CBP's Ports of Entry (POEs). This manual collection at the POEs equates to approximately 3.4 million time-intensive cash and check transactions by CBP Officers (CBPOs) and mission support staff. This creates inefficiencies at the ports, delaying cargo and traveler movement, and keeping CBPOs from focusing on critical security and compliance activities.

<u>**BACKGROUND**</u>

Revenue Modernization (Rev Mod) is a multi-year, phased initiative that will:

- Benefit the trade and travel industries and the U.S. economy by simplifying the collections process and providing modern electronic billing and payment options;

- Create operational efficiencies at the POEs by allowing CBPOs to focus more on critical security and compliance issues;

- Enable access to real-time, reliable financial and operational data to inform decision-making and comply with existing and emerging reporting requirements from Congress, OMB, Treasury, and DHS; and

- Support CBP customs enforcement and revenue back-office operations by enhancing the speed, accuracy, and controls over collections through direct, electronic deposits.

<u>**INTERACTION WITH COAC**</u>

Rev Mod is engaging all stakeholders to provide input, recommendations, and support to CBP and to increase the level of transparency with the trade and travel community. The Rev Mod team will engage the Commercial Customs Operations Advisory Committee (COAC), specifically COAC's Trade Modernization Subcommittee, for the following purposes:

- Share Rev Mod's findings of gaps, challenges, and modernization requirements. Solicit trade and travel community's feedback to determine any missing requirements and additional considerations of the trade and travel community's needs;

- Solicit the trade and travel community's feedback on their fee and duty collection experiences with other countries. Identify which international approaches are most favored and why. Determine what methods of payment are most desirable;

- Review Rev Mod's draft To-Be approach with regard to revenue collections and obtain stakeholders feedback with regard to preferences and desired alternatives;

- Solicit stakeholder input on Rev Mod's proposed pilots, projects, and pilot locations. As pilots and projects are implemented, solicit ongoing feedback to determine what changes should be made during the pilot to adjust efficiency or address issues; and

- Discuss the feasibility of potential or proposed legislative changes needed to support Rev Mod improvements.

BENEFITS:

The Rev Mod initiative will benefit the trade and travel community and CBP in several key areas.

- **Reducing costs by**:
  - Reducing transaction costs, inefficiencies, and the administrative burden for importers, filers, and travelers with fewer manual, paper-based business processes.
  - Eliminating paper check refunds to importers which can often be more expensive to track against ledgers than depositing collections.
  - Limiting the need for brokers to go to the ports or customs houses to manually pay duties, taxes, and fees.
- **Increasing efficiencies in collections by**:
  - Transitioning the collections of duties, taxes, and fees out of the POEs by providing extended online payment methods to help expedite the movement of cargo and people, spurring economic activity in the U.S.
  - Streamlining the reporting of revenue management activities in order for payers to easily know what, and when payments were made.
- **Introducing business process improvements to facilitate trade and travel by**:
  - Encouraging the development and usage of online payments, smartphones, Automated Clearing House (ACH) debit/credit, Electronic Funds Transfer, Pay.gov, PayPal for small and medium businesses, credit cards, foreign exchange transfers, and port kiosks.
  - Improving the ability to provide filers with an accurate, consolidated view of their financial transactions.

PROGRESS:

- **October 2016** – Began the transition of select collections out of the field and deploy new technologies to ensure the efficient processing of remaining revenue collection activities.
- **November 2016** –
    - Held an internal pre-kickoff meeting, and subsequently a formal kick-off meeting with the Revenue Modernization Working Group of COAC Trade Modernization Subcommittee.
    - Began organizing efforts to identify and collect suggestions from representatives of the trade and travel communities on how CBP can improve its revenue collection processes and systems.
    - Decided to break up the Working Group into four teams: the Air Team, the Land Team, the Sea Team and the Import Team.
    - Each team (Air, Land, Sea and Import) selected a team lead who organized discussions focused on their respective topics.
    - Each team included members of the trade and travel community, CBP Office of Finance, CBP Office of Field Operations, and CBP Office of Trade.
- **December 2016 –** All four Working Group teams began discussions on how CBP could optimize revenue collections from a trade and travel perspective. CBP Rev Mod shared its vision about the future of Rev Mod. Discussions were focused and organized, and meeting minutes were carefully recorded.
- **January 2017 –** After multiple team meetings, the Working Group leadership determined that it would be beneficial to combine the Air, Land and Sea Teams due to overlap in ideas, and because the same fees apply to these three environments. The Import Team remained independent. Each Team came up with draft recommendations:
    - Air, Land and Sea Team produced 14 recommendations.
    - Import Team produced 7 recommendations.
- **February 2017** – The Rev Mod Working Group collected input from the ACE Business Office, additional members of the Office of Field Operations (OFO), and representatives of the Brokers Management Business (BMB) Office, resulting in 13 final and consolidated recommendations to be presented at the March 1ˢᵗ COAC meeting.

    Recommendations focus on the following topics:
    - Advance fees payment based on e-Manifest
    - Expansion of fee collection via RFID technology for land crossings
    - Mobile application for fee collections
    - CBP invoice for certain fees such as the Low Value Shipment fees instead of self-reporting
    - Mandate electronic payments via updated regulation
    - Inclusion of Overtime Reimbursable Fee into fee collection at time of vessel arrival
    - Consolidation of broker fee payments to allow for payment of multiple fees and multiple individuals electronically
        - Ability for brokers without a Filer Code to pay electronically
    - Consolidation and centralization of daily and monthly statements
    - Integration of payment system (pay.gov, ACH, etc.) with ACE

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