DEPARTMENT OF HOMELAND SECURITY

U.S. Customs and Border Protection

19 CFR Part 4

[Docket No. USCBP–2025–0581; CBP Dec. 25–13]

RIN 1685–AA34

Tonnage Tax Modernization

AGENCY: U.S. Customs and Border Protection, Department of Homeland Security.

ACTION: Interim final rule; request for comments.

SUMMARY: This interim final rule amends U.S. Customs and Border Protection (CBP) regulations so that a tonnage year, for purposes of calculating tonnage taxes for a vessel, is aligned with the fiscal year of the Federal Government. Currently, CBP calculates a unique tonnage year for each vessel, starting when the vessel first enters the United States. This rule also permits CBP to issue a single electronic receipt for the payment of tonnage taxes and light money. This rule simplifies the tonnage tax process, decreases the number of errors in assessing tonnage taxes, and simplifies the tracking of tonnage tax payments.

DATES:

Effective Date: This interim final rule is effective on September 16, 2025.

Comment Date: Comments must be received by November 17, 2025.

ADDRESSES: Please submit comments, identified by docket number, by the following method:

- *Federal eRulemaking Portal: https://www.regulations.gov.* Follow the instructions for submitting comments via docket number USCBP–2025–0581.

Instructions: All submissions received must include the agency name and docket number for this rulemaking. All comments received will be posted without change to *https://www.regulations.gov,* including any personal information provided. For additional information on the rulemaking process, see the ''Public Participation'' heading of the **SUPPLEMENTARY INFORMATION** section of this document.

Docket: For access to the docket to read background documents or comments received, go to *https://www.regulations.gov.*

FOR FURTHER INFORMATION CONTACT: Brian Sale, Branch Chief, Office of Field Operations, U.S. Customs and Border Protection, by telephone at 202–325–3338 or by email at *OFO-MANIFESTBRANCH@cbp.dhs.gov.*

SUPPLEMENTARY INFORMATION:

I. Public Participation

Interested persons are invited to participate in this rulemaking by submitting written data, views, or arguments on all aspects of the interim final rule. CBP also invites comments that relate to the economic, environmental, or federalism effects that might result from this rule.

Comments that will provide the most assistance to CBP will reference a specific portion of the interim final rule, explain the reason for any recommended change, and include data, information, or authority that support such recommended change.

II. Background and Need for Rule

U.S. Customs and Border Protection (CBP) assesses and collects tonnage taxes on vessels brought into the United States from a foreign port or place under the authority of 46 U.S.C. 60301.[1] Section 4.20 of title 19 of the Code of Federal Regulations (19 CFR 4.20) details how CBP calculates regular tonnage taxes. In general, CBP calculates regular tonnage taxes based on either a lower rate of 2 cents per net ton for certain specified vessels, not to exceed 10 cents per net ton in any one year, or a higher rate of 6 cents per net ton, not to exceed 30 cents per net ton per year, for all other vessels.[2] *See* 46 U.S.C. 60301(a), (b); 19 CFR 4.20(a). Additional regulatory provisions describe the exceptions to regular tonnage tax, the process for obtaining a certificate of payment and cash receipt, the process for applying for a refund, and guidance on how regular tonnage tax is calculated. *See* 19 CFR 4.20–4.21, 4.23–4.24. Tonnage tax is generally collected along with special tonnage taxes and light money, if applicable. *See* 19 CFR 4.20(c), 4.22.[3]

A. Tonnage Year

The relevant statute and CBP regulations establish a yearly maximum for the payment of regular tonnage taxes. 46 U.S.C. 60301(a), (b); 19 CFR 4.20(a). For example, if a vessel has made five payments at the 2-cent rate during a tonnage year, CBP will not assess additional regular tonnage tax at the 2-cent rate on that vessel for the remainder of that tonnage year. *See* 19 CFR 4.20(b). Similarly, if a vessel has made five payments at the 6-cent rate during a tonnage year, CBP will not assess additional tonnage tax at the 6-cent rate on that vessel for the remainder of that tonnage year. *See* 19 CFR 4.20(b).

When determining whether a vessel has met the yearly maximum, CBP calculates a ''tonnage year'' that is unique to each vessel. The tonnage year starts on the date of the first entry of the vessel concerned and expires on the day preceding the corresponding date of the following year. *See* 19 CFR 4.20(b).

The use of a unique tonnage year for each vessel results in an overly complicated calculation of regular tonnage taxes. For each vessel, the CBP officer must determine the relevant tonnage year to determine whether the yearly maximums have been met. This process increases the opportunities for errors in the tonnage tax calculation, resulting in both overpayments and underpayments. Overpayments result in additional work for CBP to process any requests for a refund and underpayments result in a loss of revenue for the U.S. Government. Additionally, if CBP identifies an error in a vessel's tonnage tax calculation, the process to correct the vessel history can be arduous and time consuming.

A consistent tonnage year for all vessels will simplify the tonnage tax collection process and will provide greater certainty on the amount of money due for both CBP and the vessel agents and operators. CBP officers will be able to calculate tonnage taxes more quickly because they will not need to determine each vessel's unique tonnage year. Additionally, vessel agents and operators will be better able to predict their yearly tonnage tax payments and

[1] *See also* Treasury Order 100–20 in which the Secretary of the Treasury delegated to the Secretary of Homeland Security the authority related to the customs revenue functions vested in the Secretary of the Treasury as set forth in 6 U.S.C. 212 and 215, subject to certain exceptions; and DHS, Delegation No. 07010.3, Delegation of Authority to the Commissioner of U.S. Customs and Border Protection II.A (Rev. No. 03.2, Incorporating Change 2) (Dec. 11, 2024).

[2] The lower rate of 2 cents per net ton applies to each entry in a port of the United States of a vessel entering from a foreign port or place in North America, Central America, the West Indies, the Bahama Islands, the Bermuda Islands, or the coast of South America bordering on the Caribbean Sea, a vessel entering from the high seas adjacent to the United States or the above listed foreign locations, and on all vessels (except for vessels of the United States, recreational vessels and barges as defined in 46 U.S.C. 2101) that depart from a U.S. port or place and return to the same port or place without being entered in the United States from another port or place. *See* 46 U.S.C. 60301(a); 19 CFR 4.20(a). At each entry in a port of the United States of a vessel from a foreign port or place not otherwise specified as receiving the lower rate, the higher rate of 6 cents per net ton, not to exceed a total of 30 cents per net ton per year, applies. *See* 46 U.S.C. 60301(b); 19 CFR 4.20(a).

[3] Light money is a duty of a specified amount per ton applicable to all foreign vessels entering U.S. ports, unless exempted. *See* 46 U.S.C. 60302–60304.

will need to spend less time checking their payment history for errors because there will be less uncertainty on when a tonnage year starts or ends.

B. Receipt Process for Regular Tonnage Tax, Special Tonnage Tax, and Light Money

Upon each payment of regular tonnage tax, special tonnage tax or light money, CBP provides to the master of the vessel a certificate on CBP Form 1002 (Certificate of Payment of Tonnage Tax) that includes the control number from the related cash receipt (CBP Form 368 or 368A).[4] *See* 19 CFR 4.23. CBP Form 1002 constitutes the official evidence of the payment of regular tonnage taxes, special tonnage taxes, and light money. *See* 19 CFR 4.23. This certificate must be presented upon each entry during the tonnage year to establish the date of commencement of the tonnage year and to ensure against overpayment. *See* 19 CFR 4.23.

This manual, paper-based receipt process outlined in the regulations is cumbersome for CBP officers and vessel agents and operators.[5] The process requires duplicative receipts for the payment of tonnage taxes because CBP prepares and issues, and the vessel agents and operators must keep in the records, a receipt for the payment of tonnage taxes on CBP Form 368 or 368A, as well as a receipt on CBP Form 1002.

In order to modernize this paper-based process, this rule will replace CBP Form 1002 with an electronic receipt in most circumstances. This automation will result in multiple benefits to both CBP and vessel agents and operators. For example, CBP personnel can create draft receipts prior to boarding a vessel, which decreases the amount of time it takes to fill out and issue the receipt. This enables CBP personnel to issue electronic receipts more quickly and efficiently. Additionally, the automation provides vessel owners and operators with the ability to store and receive receipts electronically. This decreases the possibility that a vessel agent or operator will be unable to provide evidence of prior tonnage tax payments and would be required to obtain a replacement receipt from the port director to whom the payment was made. *See* 19 CFR 4.23.

III. Amendments to the Regulations

A. Aligning the Tonnage Year With the Fiscal Year

This rule changes the definition of a tonnage year in 19 CFR 4.20(b) to align with the fiscal year of the Federal Government, starting on October 1 of each year and ending on September 30 of the following year.[6] *See* 31 U.S.C. 1102. CBP will no longer calculate a tonnage year based on when a particular vessel first enters the United States.

This change will simplify the tonnage tax collection process, eliminate the unique calculation of a tonnage year for each vessel, and reduce errors caused by multiple tonnage years, thereby considerably reducing the time and effort CBP officers currently spend calculating tonnage taxes and investigating and correcting tonnage tax errors. This is part of a broader effort by CBP to align various taxes and fees with the fiscal year to simplify assessments and collections and improve efficiencies for both CBP and the public. CBP is not changing the requirement that the tonnage tax year is calculated without regard to the rate of the payment made at the first entry of the vessel concerned.

As a result of this change, most vessels will be required to start a new tonnage year earlier than they would without this rule. For example, a vessel that has paid the yearly maximum under current requirements and which has several more months until the vessel's unique tonnage year expires, would be required to start a new tonnage year on October 1. CBP does not expect this to cause significant disruption to vessel operations because the rate of applicable tonnage taxes is not increasing, and tonnage taxes are generally not a significant cost compared to other vessel duties and taxes. Additionally, CBP does not expect the tonnage tax revenue in the transition year to be significantly higher compared to subsequent years as a result of this rule. Finally, CBP has conducted outreach to the trade, which has been supportive of this change.[7]

B. Modernized Receipt Process

This rule amends several provisions in 19 CFR 4.20 and 4.23 to modernize the receipt process so that CBP may issue a single, electronic receipt for the payment of regular tonnage tax, special tonnage tax, and light money. This contrasts with the current procedures outlined in the regulations, which require CBP to issue two paper receipts for each payment at each entry.

First, this rule amends 19 CFR 4.23 to state that CBP will issue to the master of each vessel, upon each payment of regular tonnage tax, special tonnage tax, or light money, a receipt of payment. This will replace the current paper-based process in the regulations, that require CBP to issue a certificate of payment on CBP Form 1002, as well as a receipt on CBP Form 368/368A for the same payment. *See* 19 CFR 4.23. In most situations, CBP will provide the master of the vessel with an electronic receipt. If CBP is unable to provide an electronic receipt, such as in a system outage, CBP will issue a receipt on a paper CBP Form 368/368A or other equivalent paper receipt. The receipt will constitute the official evidence of payment and must be presented upon each entry during the tonnage year to ensure against overpayment. *See* new 19 CFR 4.23. In the absence of the receipt, evidence of payment of tonnage tax can be obtained from the port director to whom the payment was made. *Id.* The vessel agents and operators are responsible for maintaining their records of payment, electronically or on paper, to be available for CBP review.

As a result of this change, CBP Form 1002 will be eliminated. CBP will not be required to maintain paper copies of CBP Form 1002 and vessel agents and operators will not be required to maintain paper copies of finalized CBP Form 1002s. Vessel agents and operators should maintain any finalized CBP Forms 1002 for the entirety of any tonnage year in which they received a paper CBP Form 1002 as a receipt of payment.

Second, CBP is amending section 4.20(f)(2) to eliminate the reference to ''Customs Form 1002.'' Pursuant to 19 CFR 4.20(f)(2), certain information is noted on CBP Form 1002 and on the Vessel Entrance or Clearance Statement, CBP Form 1300. This notation on two forms is redundant and does not serve CBP operations. CBP will continue to include the necessary information on CBP Form 1300 and on the receipt issued for payment. CBP is also amending section 4.20(f)(2) so that ''Customs Form 1300'' is referred to as

[4] Although these forms are referenced as ''Customs Form[s]'' in 19 CFR 4.20 and 4.23, these forms are now CBP Forms.

[5] For participants in the Mobile Collections and Receipts Pilot (MCR), CBP may issue a single electronic receipt that is the combined equivalent of CBP Forms 1002 and 368. *See* 82 FR 58008 (Dec. 12, 2017) and 88 FR 86912 (Dec. 15, 2023); *see also* CBP, Automation of 368 and 1002 Receipts, *https://www.cbp.gov/trade/priority-issues/revenue/revenue-modernization/automation-368-and-1002-receipts* (last visited Mar. 7, 2025).

[6] Special tonnage taxes and light money are not subject to a yearly maximum and, therefore, are not affected by the shift to a fiscal year tonnage year.

[7] Since February 2023, CBP's Office of Field Operations has conducted outreach to vessel agents attending in-person and virtual training sessions and received positive feedback on the proposal to change the definition of tonnage year so that all vessels use the same timeframe. CBP also conducted outreach to various trade associations representing vessel operators and agents and received positive feedback to the proposal to implement a consistent tonnage year for all vessels.

''CBP Form 1300'' in accordance with current naming conventions.

Finally, CBP is amending 19 CFR 4.23 so that the receipt for payment of tonnage taxes is no longer used to establish when the tonnage year starts for a particular vessel. A consistent tonnage year for all vessels, equal to the fiscal year of the Federal Government, means that CBP does not need to rely on the receipt of payment for each vessel to establish when a tonnage year starts. CBP will continue to rely on the receipt of payment when determining whether a vessel has reached the yearly maximum number of payments for a tonnage tax rate.

C. Description of the Yearly Maximums

In addition to defining the tonnage year, 19 CFR 4.20(b) provides the maximum number of payments during a tonnage year, five payments at the maximum (6-cent) rate and five payments at the minimum (2-cent) rate, so that the maximum assessment of regular tonnage taxes may amount to 40 cents per net ton for the tonnage year of a vessel engaged in alternating trade. This rule amends section 4.20(b) to improve readability and clarity. CBP does not intend for this change to substantively affect the calculation of tonnage taxes.

D. Guidance

CBP uses four scenarios listed in 19 CFR 4.20 as guidance when determining the port of origin for a voyage to the United States and the applicable rate of regular tonnage tax. *See* 19 CFR 4.20(a)(1)–(4). CBP is revising the wording of these scenarios to provide more clarity for the trade and to the ports of entry. The revisions are not intended to substantively alter how CBP determines a port of origin or rate of tonnage tax.

IV. Statutory and Regulatory Reviews

A. Administrative Procedure Act

Section 553(b) of the Administrative Procedure Act (APA) generally requires agencies to publish a notice of proposed rulemaking in the **Federal Register** that solicits public comments before the rule takes effect. CBP finds that this rule is exempt from prior notice and comment rulemaking procedures under section 553(b)(A) of the APA. Pursuant to section 553(b)(A), the standard prior notice and comment procedures do not apply to an agency rulemaking to the extent that the rule involves matters of ''agency organization, procedure, or practice.'' Rules are procedural if they are ''primarily directed toward improving the efficient and effective operations of an agency, not toward a determination of the rights or interests of affected parties.'' *Mendoza* v. *Perez,* 754 F.3d 1002, 1023 (D.C. Cir. 2014) (quoting *Batterton* v. *Marshall,* 648 F.2d 694, 702 n.34 (D.C.C. 1980). The purpose of the exception is ''to ensure that agencies retain latitude in organizing their internal operations.'' *Mendoza,* 754 F.3d at 1023 (quoting *Batterton,* 648 F.2d at 707).

This rule is a procedural rule promulgated for efficiency purposes that falls within this exception. This rulemaking replaces a paper certificate of payment of tonnage tax (CBP Form 1002) with an electronic receipt, or if an electronic receipt is not feasible, with a single, equivalent paper receipt. This is a change in the format of the receipt and does not change any of the substantive requirements related to the payment or receipt process. Eliminating CBP Form 1002 so that certain information is listed only on the Vessel Entrance or Clearance Statement, CBP Form 1300, and not on both CBP Forms 1300 and 1002 is also only a change in CBP recordkeeping procedures that does not affect the substantive rights or interests of the public.

Additionally, the shift to a tonnage year that is aligned with the fiscal year does not substantively affect the rights or interests of the public. Congress has determined the substantive requirements of tonnage tax, including the applicable rates and the yearly maximums. *See* 46 U.S.C. 60301. This rule does not change those substantive requirements, and vessel agents and operators will continue to be subject to the same rates and the same requirements for meeting the yearly maximums regardless of this rule. The only change to the tonnage tax process is to change which 12-month period CBP uses to determine the tonnage year. CBP considers this change to merely set forth a CBP accounting procedure for implementing the statute that does not itself impose a substantive requirement. Although average tonnage tax revenue is expected to increase under this rule, an estimated 94% of all vessels in a given year will pay no more in tonnage tax with the rule than without it. For those vessels that do pay more tonnage tax in a given year, the increase will be nominal, with the average tonnage tax per entry increasing by approximately $128. For these reasons, CBP may forgo advance notice and comment.

As discussed above, section 553(b) of the APA generally requires agencies to publish a notice of proposed rulemaking in the **Federal Register** that solicits public comments before the provisions of the rule take effect. In addition to the aforementioned procedural rule exception, CBP finds that this rule is exempt from the prior notice and public comment requirements for good cause under 5 U.S.C. 553(b)(B), which permits agencies to forgo those procedures when they are impracticable, unnecessary, or contrary to the public interest. CBP finds prior notice and comment unnecessary in this case because this rule does not impose new obligations on the public, does not alter the substantive requirements governing tonnage tax rates or eligibility, and instead eliminates duplicative and outdated administrative processes. The revisions streamline how CBP documents tonnage tax payments and standardizes the tonnage year across all vessels, improving internal consistency and clarity for vessel agents and operators. Because these changes are limited to administrative procedures and remove, rather than impose, compliance burdens, standard notice and comment is unnecessary under 5 U.S.C. 553(b)(3)(B). Although prior notice and comment is not required in this context, CBP nonetheless invites post promulgation comments to identify any technical or procedural improvements that may aid in future implementation.

Section 553(d) of the APA requires agencies to delay the effective date of final rules by a minimum of 30 days after the rule publishes in the **Federal Register**, subject to certain exceptions. For the same reasons stated above, CBP finds good cause under 5 U.S.C. 553(d)(3) to waive the 30-day delay in the rule's effective date. Specifically, CBP finds that a delayed effective date is unnecessary because this rule is an administrative, deregulatory rule that does not impose new obligations or alter substantive requirements. CBP assesses that trade members will not experience significant disruptions in adjusting to the revised requirements; thus, delaying the effective date of this rule would unnecessarily postpone operational improvements expected to reduce administrative errors, eliminate duplicate paperwork, and promote uniformity in the tonnage tax collection process. Immediate implementation will enable CBP and the trade community to utilize the benefits of these streamlined procedures without further delay. Moreover, this rule is a procedural rule. Because procedural rules are not substantive rules within the meaning of 5 U.S.C. 553(d), the delayed effective date requirement does not apply. For these reasons, CBP may forgo a 30-day delayed effective date.

B. Executive Orders 12866, 13563, and 14192

Executive Orders 12866 (Regulatory Planning and Review) and 13563 (Improving Regulation and Regulatory Review) direct agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits. Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. Executive Order 14192 (Unleashing Prosperity Through Deregulation) directs agencies to significantly reduce the private expenditures required to comply with Federal regulations and provides that ''any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations.''

The Office of Management and Budget (OMB) has not designated this rule a ''significant regulatory action,'' under section 3(f) of Executive Order 12866. Accordingly, OMB has not reviewed it.

This interim final rule is considered an Executive Order 14192 deregulatory action. We estimate that this rule generates $24,792 in net annualized cost savings at a 7% discount rate, discounted relative to year 2024, over a perpetual time horizon. We estimate that this rule would result in a total net deregulatory impact on CBP and trade members by simplifying tonnage tax calculations and reducing tax calculation errors, with only a small one-time development cost to update the electronic application that records vessels' tonnage tax histories. The present value of the positive net impact of the rule over Fiscal Years (FY) 2025–2035 would be $239,109 under a 3% discount rate or $195,555 under a discount rate of 7%, discounting to FY 2025. Annualized over the ten-year period FY 2025–2034, the net impact would be a positive $27,214 per year under a 3% discount rate or $26,021 per year under a 7% discount rate. The rule would also lead to an increase in transfers from trade members to the U.S. Government over FY 2025–2035 with a present value of $2,731,750 under a discount rate of 3% or $2,356,446 under a discount rate of 7%. In terms of annualized value over ten years, from FY 2025–2034, these present values translate to an increase in transfers by $310,917 or $313,556 per year under a discount rate of 3% or 7%, respectively.

1. Background

Upon making entry in the United States, a vessel arriving from a foreign port or place is assessed a tonnage tax by CBP.[8] Generally, a vessel arriving from North America, the Caribbean, or a South American port on the Caribbean coast is subject to a rate of 2 cents per net ton, whereas a vessel arriving from elsewhere is subject to a rate of 6 cents per net ton. If the vessel has already made five payments at a given rate in the current tonnage year, it is exempt from further tonnage taxes at that rate for the remainder of the tonnage year. Currently, a vessel's tonnage year begins on the date the vessel makes entry in the United States without a tonnage year already in effect. The tonnage year then expires on the day preceding the corresponding date of the following year.

When processing at a port, the master of the vessel or vessel agent will present the certificates of payment of tonnage tax from recent entries to establish the start date of the current tonnage year. Upon payment of the tonnage tax on the current entry, the CBP officer will give the master or agent a new certificate of payment to record both the current payment and the start date of the tonnage year used for said payment. Before the recent automation of tonnage tax receipts, the certificate of payment was a paper CBP Form 1002 that included the control number of the cash receipt (CBP Form 368 or 368A).[9] Now, thanks to CBP's Mobile Collections and Receipts (MCR) initiative, CBP may instead issue an electronic receipt that is the combined equivalent of CBP Forms 1002 and 368.[10] The master or vessel agent may then use a printed copy of the receipt sent by email as a certificate of payment.

In FY 2023, 12,475 vessels made entry in the United States from a foreign port or place.[11] At 4.6 entries per vessel, vessels arriving from foreign ports made 57,513 entries in total.[12] Using CBP entrance data, we calculate that 56% of these entries were subject to a tonnage tax, with the remainder exempted for being made past the five-payment cap. Under the baseline tonnage year calculation method described further in the Transfers section below, the total tonnage tax payments in FY 2023 summed to $27,402,291, averaging $476 per entry. The mean vessel paid $2,197 in total, and the median vessel paid $1,108.

CBP sometimes applies an incorrect tonnage year start date when assessing tonnage taxes. After a mistake is made, CBP officers will sometimes continue to use the wrong tonnage year start date for the vessel's subsequent entries if the original error is not caught, which leads to more errors. Using the wrong tonnage year start date can lead to CBP's overcounting or undercounting the number of entries a vessel has made in the current tonnage year. As a vessel's tonnage tax obligation depends on the number of entries made in the current tonnage year, such an error can lead to an incorrect assessment of the tonnage tax. Upon finding an error in a vessel's recorded tonnage year start date, CBP must then take the time to look through the vessel's past receipts to determine when the vessel's true tonnage year began. Requesting additional tonnage tax payments from underbilled vessels and granting refunds to overbilled vessels are time-consuming for CBP. Such billing errors also make the current system confusing to the public.

2. Purpose of Rule

The rule would align vessels' tonnage years with the fiscal year of the Federal Government, starting on October 1 of each year and ending on September 30 of the following year. The alignment would occur by cutting all current tonnage years short, ending them on September 30 and beginning the new tonnage year on October 1 of whichever year CBP begins the new process, assumed here to be FY 2026 (which begins on October 1, 2025). Switching vessels to a universal tonnage year would simplify the calculation of tonnage taxes and reduce billing errors. With fewer billing errors made, CBP would spend less time making requests for additional payments or handling requests for refunds and the trade would have more clarity as to the amount of money owed. The simplification would also allow CBP officers to calculate tonnage taxes more quickly. Vessel agents have expressed enthusiasm for this new tonnage year calculation method.[13]

3. Baseline and Regulatory Scenarios

This regulatory impact analysis compares a baseline scenario and the

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[8] *See* 19 CFR 4.20.

[9] *See supra* note 5; 19 CFR 4.23.

[10] CBP, Automation of 368 and 1002 Receipts, *https://www.cbp.gov/trade/priority-issues/revenue/revenue-modernization/automation-368-and-1002-receipts* (last visited Feb. 29, 2024).

[11] Internal CBP database; entrance data provided by CBP Office of Field Operations subject matter experts on September 29, 2023, October 27, 2023, and January 23, 2024.

[12] Entry here refers to entry of a vessel arriving from a foreign port or place.

[13] Information provided by CBP Office of Field Operations subject matter expert on October 26, 2023. *See also* footnote 7, above.

regulatory scenario to measure the net impact of the rule. In the baseline, CBP would continue to calculate tonnage years the current way, as explained in the Background section. Under the regulatory scenario, CBP would align vessels' tonnage years with the fiscal year at the start of the FY 2026, as explained in the Purpose of Rule section. No technological or other regulatory changes in the future are expected to affect the frequency or costliness of CBP's errors in calculating tonnage tax payments in either scenario. In the Alternative Transition Options section, we analyze another way to transition to the new tonnage year calculation method.

4. Costs

The only costs from the rule would be the cost of redevelopment within the MCR application to account for the new universal tonnage year start date. A subject matter expert estimated on March 20, 2025, that redevelopment would take 80 hours of labor. Based on the average hourly pay of CBP employees of this type ($93.55/hour),[14] the one-time cost of redevelopment would be $7,484. The change in vessels' tonnage years would not increase administrative costs or compliance costs. The rule would increase the amount that trade members pay in tonnage taxes on net, but this effect counts as a transfer rather than as a cost because the change in tax expense represents a transfer of value within society and not an aggregate societal cost or cost savings. This effect is explained further in the Transfers section below.

We examined whether it is likely that vessels would alter their activity in response to a change in tonnage year calculation method. For example, under the rule, a vessel planning to make regular trips (*i.e.,* more than five) to the United States for the length of one year could reduce its tonnage taxes by beginning those trips at the start of the fiscal year of the Federal Government rather than part way through. Beginning the calculations at the start of the fiscal year would make the vessel's entries fall under one tonnage year rather than two, reducing the number of entries subject to a tonnage tax. By contrast, under the current method of calculating tonnage years, adjusting the start date of those trips would not reduce tonnage taxes. At only 2 cents or 6 cents per net ton, however, a change in how tonnage taxes are assessed would probably not cause any distortions in vessel activity. The annual revenue collected from the tonnage tax is only 2% as large as the revenue collected from the harbor maintenance fee for vessels arriving from foreign ports, which is itself 0.125% of the value of the cargo. Hence, tonnage taxes are on average about 0.0025% as much as the cargo value, or 1 cent for every $400 of cargo. The marginal tonnage tax rate may be somewhat higher than the average rate, but not by a significant amount. Therefore, we assume that the savings in tonnage taxes that a vessel operator could achieve by purposely delaying entry to the start of the new fiscal year would be smaller than the cost of the delay and that vessels' entrance timing would therefore not be distorted by the rule.

5. Cost Savings of Rule

Aligning vessels' tonnage years with the fiscal year of the Federal Government would simplify the calculation of tonnage taxes, resulting in time savings for the Government. The complexity of the current definition of tonnage year makes the process of assessing tonnage tax longer and more error-prone than necessary. CBP officers sometimes miscalculate vessels' tonnage year start dates by mistake and sometimes due to a misunderstanding of the regulations. By restricting every tonnage year to start on October 1, the rule would leave no room for calculation errors or misconceptions regarding the tonnage year start date.

Under the existing process, the nature of the tonnage tax means that one error can beget multiple errors. If a CBP officer assigns a vessel the wrong tonnage year start date, then future tonnage year start dates will be wrong as well if the original error is not fixed. If a vessel's supposed tonnage year start date is later than its true tonnage year start date, the CBP officer may undercount the vessel's past tonnage tax payments and mistakenly assess a tonnage tax from which the vessel should be exempt. Alternatively, if the vessel's supposed tonnage year start date is earlier than its true tonnage year start date, the vessel may be underbilled. It takes time for CBP to fix all of these errors when they are finally discovered. If a vessel is found to have been overbilled, a vessel agent may submit to CBP a request for refund, and these requests take time for CBP to process, though we lack the data to estimate the time burden.

When a CBP officer discovers an error regarding a vessel's past tonnage taxes, such as a wrong tonnage year start date, the officer submits a service ticket to the Revenue Modernization Service Desk. CBP then looks through the vessel's tonnage tax payment history in Mobile Collections Receipts (MCR), where the information is recorded, and makes edits to correct for any errors.[15] Between November 14, 2024, and March 13, 2025, the Revenue Modernization Service Desk resolved 40 incident tickets.[16] Of these, 29 tickets required a correction to be made to the vessel's tonnage year start date. At the rate of 29 such tickets submitted over 120 days, we estimate that 88 tickets that at least partly involve an incorrect tonnage year start date will be submitted annually.

CBP believes the rule would prevent all issues stemming from miscalculated tonnage year start dates. Some of these tickets may be submitted anyway due to unrelated issues, such as errors related to the CBP User Fee, but a service ticket that only reports an issue with the CBP User Fee can be resolved more quickly than a ticket reporting both a CBP User Fee error and a tonnage tax error. We are unable to quantify the time savings that would result from preventing these tonnage tax errors, as we lack estimates for the average time it takes for a CBP officer to submit a ticket or for CBP to resolve a ticket, nor do we know how much this time burden would decline for service tickets that would no longer have any tonnage tax errors but would still have been submitted because of CBP User Fee errors.

Aligning vessels' tonnage years with the fiscal year would not only cut down on errors but also help CBP officers to calculate tonnage taxes more quickly. To calculate a vessel's tonnage tax obligation, a CBP officer must look at the vessel's payment history and count the tonnage tax payments made during the current tonnage year to check whether the vessel has reached its five-payment maximum at the relevant tonnage tax rate. Under the current definition of tonnage year, this process requires CBP officers to keep track of the vessel's particular tonnage year while counting the vessel's past payments. If every vessel had the same tonnage year, however, CBP officers could count each vessel's payments faster because they would not be slowed down by the need to keep track of the vessel's unique tonnage year start date. Instead, officers would always count the tonnage payments back to October 1 of the

[14] Source of average hourly pay among other CBP positions: CBP bases this wage on the fully-loaded FY 2024 salary and benefits of the national average of other CBP positions, which is equal to a GS–9, Step 6. Source: Information provided by CBP's Office of Finance on June 17, 2024.

[15] Information provided by CBP Office of Finance subject matter expert on March 13, 2025.

[16] Based on data provided by CBP Office of Finance on March 13, 2025.

current fiscal year of the Federal Government, regardless of the vessel.

CBP asked three subject matter experts in the field to quantify how long it takes them to calculate a vessel's tonnage tax using the current tonnage year definition and how long the calculation takes when using the fiscal year as tonnage year.[17] The three subject matter experts gave estimates for the average time burden under the current regulation of 25, 35, and 45 seconds. Those experts' estimates using the fiscal year of the Federal Government as tonnage year were 15, 17, and 20 seconds, respectively. The time savings from the new tonnage year definition would thus average 17.7 seconds, a 50.5% reduction in the average time burden.

CBP officers calculate tonnage tax every time a vessel enters after arriving from a foreign port. Therefore, we use the number of entries from foreign ports to estimate the number of times CBP officers make these calculations per year. Table 1 presents the number of entrances made by vessels arriving from a foreign port from fiscal years 2012 to 2024. The number of entrances was not following any trend before the COVID–19 pandemic. The number then fell in FY 2020 but has since rebounded nearly to its FY 2019 level, as of FY 2024. Now that volumes have returned to pre-COVID–19 levels, we do not expect there to be any future trend in the number of entries by vessels arriving from foreign ports, and so we use 59,307, the annual count in FY 2024, as our estimate for all future years during the period of analysis.

TABLE 1—ANNUAL ENTRANCES BY VESSELS ARRIVING FROM A FOREIGN PORT

Fiscal year	Entrances
2012	59,669
2013	58,653
2014	60,714
2015	61,431
2016	58,062
2017	57,681
2018	61,008
2019	59,603
2020	52,882
2021	52,503
2022	57,216
2023	57,513
2024	59,307

Source: based on entrance data obtained through the Vessel Management System in CBP's ACE database on January 14, 2025.

If the rule would save CBP officers 17.7 seconds per tonnage calculation and this calculation is done for all 59,307 entrances of vessels arriving from a foreign port per year, then the rule would save a total of 291 hours per year in tonnage tax calculation. The average hourly pay for CBP officers is $99.33 per hour,[18] and so the value of these time savings would be $28,908 per year. It is possible that the savings could be even higher because the officers who provided the savings estimates are experts and may calculate tonnage taxes faster than most CBP personnel. If calculating tonnage taxes takes the average CBP officer more time than these sources, it is possible that the time savings from the new tonnage year definition are also larger for the average officer. Furthermore, these time estimates for tonnage tax calculations describe the time burdens for the simplest cases, but sometimes tonnage tax calculation can take much longer. One of the field sources later reported that a more complicated case took him 6 minutes to determine that a vessel owed no tonnage tax.[19] If the tonnage year change can significantly reduce the time burden of tonnage tax calculation in these more complicated cases, then the true time savings would be larger than our estimate.

The new tonnage year definition would also improve the vessel entrance process for trade members, who have expressed support for the rule change. By simplifying the calculation of tonnage year start dates, the rule would give vessel agents and vessel operators more clarity on whether a given entry will require a tonnage tax payment. Because CBP would also make fewer billing errors, trade members would spend less time checking for errors in the tonnage tax assessment and challenging CBP's calculations. Due to the difficulty of estimating this time burden, we cannot quantify the cost savings to trade members.

In addition to changing vessels' tonnage years, the rule would also modify the regulations regarding receipts for tonnage taxes and light money. CBP officers typically use MCR to create electronic receipts for tonnage tax payments as well as light money payments. These electronic receipts are the combined equivalent of CBP Forms 368 and 1002. On the rare occasion when CBP does not use the electronic MCR application, CBP instead issues the paper CBP Forms 368 and 1002, in accordance with current regulation. The rule would modify the regulations so that, on occasions when MCR is not used, CBP would not necessarily have to issue both CBP Forms 368 and 1002. Instead, a CBP officer could issue just CBP Form 368. This change would save time, as the officer would not need to issue CBP Form 1002 and the vessel agent would not need to hold onto a copy of CBP Form 1002. We expect that this will save a positive but negligible amount of time for CBP and would save a small amount of storage costs for vessel agents. We request comment on the savings to vessel agents of no longer needing to maintain copies of the CBP Form 1002 in their records.

TABLE 2—PROJECTED COST SAVINGS, FY 2025–2035

Fiscal year	Time savings (hours)	Value of time savings (2024 USD)
2025	0	$0
2026	291	28,908
2027	291	28,908
2028	291	28,908
2029	291	28,908
2030	291	28,908
2031	291	28,908
2032	291	28,908
2033	291	28,908
2034	291	28,908
2035	291	28,908

Table 2 displays the quantified cost savings from the rule, which are the annual time savings to CBP officers from calculating tonnage years more quickly. The tonnage year start date change would not take effect until the start of FY 2026, but we include FY 2025 for consistency with other sections of this analysis. The present value of these savings over FY 2026–2035 would be $246,592 under a 3% discount rate or $203,039 under a 7% discount rate, discounted to base year FY 2025. In addition to these cost savings, there are others that are harder to quantify. CBP would spend less time fixing errors in MCR that stem from incorrect tonnage year start dates and less time processing requests for refunds from vessels that were overbilled due to tonnage tax miscalculation. Vessel agents would also face less uncertainty regarding their tonnage tax obligations and therefore spend less time checking for errors in their tonnage tax payments. Finally, CBP officers could be trained more quickly, as CBP would not have to spend as much time explaining how tonnage taxes work because the

[17] The subject matter experts' responses were provided to us by CBP's Office of Field Operations on March 11, 2025.

[18] Source of average hourly pay among CBP officers: CBP bases this wage on the fully-loaded FY 2024 salary and benefits of the national average of CBP Officer positions, which is equal to a GS–11, Step 10. Source: Information provided by CBP's Office of Finance on June 17, 2024.

[19] Information provided by CBP Office of Field Operations on March 11, 2025.

definition of tonnage year would be less complicated.

6. Transfers

Aligning vessels' tonnage years with the fiscal year of the Federal Government would increase Government revenue by raising the share of entries that are subject to a tonnage tax. This effect counts as a transfer rather than as a cost or cost savings because the change in tax expense represents a transfer of value within society and not an aggregate societal cost or benefit. Therefore, the size of the transfer, reported below, would not affect the net impact of the rule change. To estimate the effect of the rule on government revenue, we applied the baseline and regulatory tonnage year calculation methods to the same historical entrance data. After projecting future tonnage tax revenue in each case, we then estimate that the rule would increase government revenue by an annualized value of $310,917 under a discount rate of 3% or $313,556 under a discount rate of 7%, annualized over ten years starting at base year FY 2025.

We use historical vessel entrance data spanning FY 2017 to FY 2023 to compute which entries would be taxable under which tonnage year calculation method. In the entrance data, some observations are listed as having zero net tonnage, but CBP believes that most zero-tonnage observations are inaccurate. Therefore, among vessels with zero net tonnage listed on some entries and positive net tonnage listed on other entries, we substituted each vessel's smallest positive value of net tonnage for its zero net tonnage values. CBP's entrance data does not contain the tonnage tax rate that an entry was or would be subject to, but the data does contain the vessel's last port. We assume for these calculations that a vessel's last port is where the cargo was laden and assign the tonnage tax rate accordingly. All vessels arriving from another U.S. port are therefore assumed to be exempt from the tonnage tax. To the extent that the vessel's last port is different from where the cargo was laden, the tonnage tax rate could differ. According to a smaller CBP dataset containing more information about tonnage tax payments, most vessels are taxed at the tonnage tax rate that would apply if their cargo were laden at the most recent foreign port. Hence, this assumption is unlikely to significantly affect the results of the analysis.

Under the regulatory tonnage year calculation method, each vessel's tonnage year start date is set to October 1 of each fiscal year. To get the start dates of vessels' first tonnage year under the baseline, we use each vessel's earliest filing date in the FY 2017–2023 entrance data. After determining each vessel's first tonnage year start date, we calculate the start of all later tonnage years according to the baseline tonnage year calculation method. CBP does have records of tonnage tax payments, which include additional information not found in the basic entrance data such as the start date of each entry's tonnage year under the baseline and the applicable tonnage tax rate. However, if we were to compare the tonnage tax payments that would have occurred if the rule had been in place to the actual baseline tonnage tax records, the comparison between the baseline and regulatory scenarios would be clouded by differences in calculation errors and information constraints. Recalculating the baseline tonnage year start dates and assigning the tax rates using only the basic entrance data allows us to isolate the effect of the tonnage year calculation method when comparing tonnage tax payments under the baseline and regulatory scenarios.

After calculating the start dates of all vessels' tonnage years under both the baseline and regulatory tonnage year calculations, we calculate the annual mean net tonnage of taxed entries and the annual number of taxed entries at each tax rate under each calculation method, shown in Table 3 and Table 4. We use these historical series to form projections from FY 2026 to 2035. To project the future mean net tonnages of taxed entries for both rates, under both the baseline and regulatory scenarios, we calculated the compound annual growth rate of each series from FY 2017–2023 and use these as the estimates for future growth rates.

The mean net tonnage of entries taxed at the 2-cent rate is projected to grow at 3.75% per year under the baseline and 3.37% under the regulatory scenario. For 6-cent entries, the growth will be slower, at 1.46% and 1.34% under the baseline and regulatory scenarios, respectively. Table 5 shows the projection of mean net tonnage for each series from FY 2026–2035.

TABLE 3—MEAN NET TONNAGE OF TAXED ENTRIES

Fiscal year	2-Cent rate		6-Cent rate	
	Baseline	Rule	Baseline	Rule
2017	13,273	13,233	21,869	22,034
2018	13,962	13,892	21,951	22,140
2019	14,614	14,452	22,186	22,306
2020	14,990	15,027	22,375	22,573
2021	14,597	14,550	23,451	23,597
2022	15,953	15,622	23,509	23,550
2023	16,700	16,510	23,977	24,006

TABLE 4—NUMBER OF TAXED ENTRIES

Fiscal year	2-Cent rate		6-Cent rate	
	Baseline	Rule	Baseline	Rule
2017	18,300	19,043	13,541	13,829
2018	19,097	19,898	13,606	13,950
2019	18,604	19,609	13,495	13,759
2020	15,953	17,192	12,961	13,323
2021	15,750	16,420	15,079	15,319
2022	16,421	17,147	15,745	16,001
2023	16,903	17,584	15,123	15,416

TABLE 5—PROJECTED MEAN NET TONNAGE OF TAXED ENTRIES

Fiscal year	2-Cent rate		6-Cent rate	
	Baseline	Rule	Baseline	Rule
2026	18,648	18,238	25,040	24,984
2027	19,347	18,853	25,405	25,318
2028	20,072	19,489	25,775	25,657
2029	20,824	20,147	26,151	26,001
2030	21,604	20,827	26,532	26,349
2031	22,413	21,530	26,918	26,702
2032	23,253	22,256	27,310	27,060
2033	24,124	23,007	27,708	27,422
2034	25,028	23,784	28,111	27,790
2035	25,966	24,586	28,521	28,162

Turning to the projected number of taxed entries, we found that the FY 2017–2023 compound annual growth rates did not reflect the paths that the series are currently on and are likely to follow. Under both the baseline and regulatory scenario, the number of taxed entries at the 2-cent rate fell in FY 2020 and then began rising back toward the pre-2020 level. Because the compound annual growth rate (CAGR) from FY 2017–2023 is negative, and because using the positive FY 2021–2023 CAGR would likely overstate the amount of future growth, we assume that the future number of taxed entries will have not a constant growth rate but a constant rate of convergence toward the FY 2017–2019 average. We use the rate of convergence from FY 2021–2023 as our future estimate. As for entries at the 6-cent rate, the number of taxed entries, under either scenario, dipped somewhat in FY 2020 and then rose well above the pre-2020 average. In FY 2023, the number of taxed entries at the 6-cent rate began to fall. We assume for our projections that the number of 6-cent taxed entries will continue to fall back down to the FY 2017–2019 average at the same rate as from FY 2022–2023. Table 6 shows the FY 2017–2019 averages and the rates of convergence [20] used for the future projections of each series, and Table 7 shows the implied projected growth rates. Table 8 shows the FY 2026–2035 projected values of each series.

TABLE 6—RATES OF CONVERGENCE, NUMBER OF TAXED ENTRIES

	2-Cent rate		6-Cent rate	
	Baseline	Rule	Baseline	Rule
FY2017–2020 Mean	18,667	19,517	13,547	13,846
Rate of Convergence	0.778	0.790	0.717	0.729

TABLE 7—PROJECTED GROWTH RATES OF TAXED ENTRIES

Fiscal year	2-Cent rate		6-Cent rate	
	Baseline (%)	Rule (%)	Baseline (%)	Rule (%)
2026	1.35	1.38	−1.60	−1.54
2027	1.03	1.08	−1.16	−1.14
2028	0.80	0.84	−0.84	−0.84
2029	0.61	0.66	−0.61	−0.62
2030	0.47	0.52	−0.44	−0.45
2031	0.37	0.41	−0.32	−0.33
2032	0.28	0.32	−0.23	−0.24
2033	0.22	0.25	−0.16	−0.18
2034	0.17	0.20	−0.12	−0.13
2035	0.13	0.16	−0.08	−0.09

TABLE 8—PROJECTED NUMBER OF TAXED ENTRIES

Fiscal year	2-Cent rate		6-Cent rate	
	Baseline	Rule	Baseline	Rule
2026	17,837	18,564	14,128	14,453
2027	18,022	18,764	13,964	14,288
2028	18,165	18,922	13,846	14,168
2029	18,277	19,047	13,761	14,081
2030	18,364	19,145	13,701	14,017

[20] If the rate of convergence is, for example, 0.778, then the difference between each year's number of taxed entries and the pre-2020 mean will be 0.778 times the previous year's difference.

TABLE 8—PROJECTED NUMBER OF TAXED ENTRIES—Continued

Fiscal year	2-Cent rate		6-Cent rate	
	Baseline	Rule	Baseline	Rule
2031	18,431	19,223	13,657	13,971
2032	18,484	19,285	13,626	13,937
2033	18,524	19,334	13,604	13,912
2034	18,556	19,372	13,588	13,894
2035	18,581	19,402	13,576	13,881

These projections of mean net tonnage and number of taxed entries imply what nominal revenue will be over the same time period. Using Survey of Consumer Expectations (SCE) inflation expectations [21] from January 2024, we convert projected nominal tonnage tax revenue to projected tonnage tax revenue in 2024 U.S. dollars.[22] Table 9 and Table 10 display the projections for nominal revenue and real revenue, respectively, from FY 2025 to 2036. Because the rule would not change vessels' tonnage years until FY 2026, revenue would be the same in FY 2025 in both scenarios. We include the FY 2025 projections because our period of analysis is FY 2025–2035, due to the costs that would be incurred from the rule during FY 2025.

TABLE 9—PROJECTED NOMINAL REVENUE, FY 2025–2035

Fiscal year	Baseline	Rule	Difference
2025	$27,588,401	$27,588,401	$0
2026	27,879,164	28,436,812	557,648
2027	28,258,408	28,780,570	522,162
2028	28,705,021	29,186,803	481,782
2029	29,203,992	29,641,665	437,673
2030	29,744,711	30,135,195	390,483
2031	30,319,739	30,660,273	340,534
2032	30,923,921	31,211,857	287,936
2033	31,553,746	31,786,417	232,671
2034	32,206,885	32,381,530	174,646
2035	32,881,860	32,995,578	113,718

TABLE 10—PROJECTED REAL REVENUE (2024 USD), FY 2025–2035

Fiscal year	Baseline	Rule	Difference
2025	$26,784,855	$26,784,855	$0
2026	26,278,786	26,804,423	525,637
2027	26,024,508	26,505,391	480,884
2028	25,828,666	26,262,172	433,506
2029	25,627,338	26,011,408	384,070
2030	25,455,885	25,790,066	334,180
2031	25,305,859	25,590,080	284,221
2032	25,171,399	25,405,772	234,373
2033	25,048,451	25,233,154	184,703
2034	24,934,223	25,069,432	135,209
2035	24,826,796	24,912,656	85,860

As shown in Table 11 and Table 12, the regulatory calculation method would increase the present value of government revenue from the tonnage tax by $2,731,750 or $2,356,446, discounted at a rate of 3% or 7% to the start of FY 2025. This result translates to an annualized increase of $310,917 or $313,556 under a discount rate of 3% or 7%, annualized over FY 2025–2034.

TABLE 11—TONNAGE TAX REVENUE (2024 USD), FY25–FY35, 3% DISCOUNT RATE

	Baseline	Rule	Difference
Present Value	$244,210,613	$246,942,363	$2,731,750

[21] SCE, Inflation Expectations, *https://www.newyorkfed.org/microeconomics/sce#/inflexp-1* (last visited Oct. 9, 2024). FRBNY requires the following attribution and disclaimer to be included with any publication or presentation of the SCE data: 'Source: Survey of Consumer Expectations, © 2013–2024 Federal Reserve Bank of New York (FRBNY). The SCE data are available without charge at *http://www.newyorkfed.org/microeconomics/sce* and may be used subject to license terms posted there. FRBNY disclaims any responsibility or legal liability for this analysis and interpretation of Survey of Consumer Expectations data.'

[22] The SCE Inflation Expectations include the expected inflation rate 1 year, 3 years, and 5 years out. FRBNY, SCE, Inflation Expectations, *https://www.newyorkfed.org/microeconomics/sce#/inflexp-1* (last visited Oct. 9, 2024). We use the 1-year-out expected inflation rate for both the first and second years out from FY 2024, the 3-year-out expected inflation rate for the third and fourth years, and the 5-year-out expected inflation rate as the inflation rate of all remaining years.

TABLE 11—TONNAGE TAX REVENUE (2024 USD), FY25–FY35, 3% DISCOUNT RATE—Continued

	Baseline	Rule	Difference
Annualized Value (FY 2025–2034)	25,624,912	25,911,554	286,642

TABLE 12—TONNAGE TAX REVENUE (2024 USD), FY25–FY35, 7% DISCOUNT RATE

	Baseline	Rule	Difference
Present Value	$206,159,356	$208,515,802	$2,356,446
Annualized Value (FY 2025–2034)	25,694,181	25,987,871	293,690

Government revenue would be higher under the regulatory scenario because on average vessels' entries would be split between more tonnage years. For example, a vessel making recurring entries in the United States from April 2026 to March 2027 would experience one tonnage year under the baseline and two tonnage years under the regulatory scenario. The vessel would therefore have fewer entries per tonnage year in the latter case, putting more of its entries under each tonnage year's cap of five tonnage tax payments at a given rate. Because a baseline tonnage year always begins with an entry, the time span of a baseline tonnage year tends to cover more entries than a fiscal year.

In addition to making the above projections, we also calculated statistics describing how tonnage tax payments would have differed in 2023 between the baseline and regulatory scenarios. Aligning vessels' tonnage years with the fiscal year of CBP in 2023 would have led to an increase in total tonnage tax revenue of $608,573 (in 2023 U.S. dollars). The share of entries subject to a tonnage tax would have increased from 55.7% to 57.4%, leading to 974 more tonnage tax payments. Tonnage tax per vessel would have risen by $49, a 2% increase, and the tax per entry by $11. Total tonnage taxes would have stayed the same for 92% of vessels, while 6% of vessels would have paid more under the regulatory scenario and 2% would have paid less. Among the 6% of vessels that would have seen an increase in total payments, the tax per vessel would have risen by $1,061, a 37% increase, and the tax per entry by $128.

7. Net Impact

The net impact of the rule would be positive, as the time savings to CBP officers would exceed the one-time development costs in MCR. Table 13 displays the quantified cost savings and costs of the rule. The net impact of aligning the tonnage year with the fiscal year of the Federal Government would be negative in FY 2025 due to development costs and then positive every year afterward. The present value of the rule would be $239,109 under a 3% discount rate or $195,555 under a 7% discount rate, discounted to FY 2025. Annualized over a ten-year period starting in base year FY 2025, the positive net impact equals $27,214 per year or $26,021 per year under a discount rate of 3% or 7%. This quantified net impact does not take into account other cost savings of the rule that are more difficult to quantify, such as the savings stemming from the elimination of tonnage year calculation errors or the reduced uncertainty for trade members. The estimated net impact also does not include the increase in tax revenue that would result from the rule, as the tax revenue change represents neither a cost nor cost savings, but a transfer.

TABLE 13—NET IMPACT, FY 2025–2035 (2024 USD)

Fiscal year	Cost savings	Cost	Net impact
2025	$0	$7,484	−$7,484
2026	28,908	0	28,908
2027	28,908	0	28,908
2028	28,908	0	28,908
2029	28,908	0	28,908
2030	28,908	0	28,908
2031	28,908	0	28,908
2032	28,908	0	28,908
2033	28,908	0	28,908
2034	28,908	0	28,908
2035	28,908	0	28,908

8. Alternative Transition Options

In this section, we consider an alternative way to align vessels' tonnage years with the fiscal year of the Federal Government. In the analysis above, the alignment would occur by cutting all vessels' baseline tonnage years short on September 30 of 2025 and beginning the new universal tonnage year on the following day. CBP could instead do a long transition. In this scenario, vessels' baseline tonnage years beginning in FY 2025 would be extended to the end of FY 2026 rather than cut short at the start of FY 2026. Vessels' tonnage years would then be aligned with the fiscal year of the Federal Government in FY 2027. Hence, the cost savings and costs of the rule would be delayed by one year, compared to the quick transition scenario. The development in MCR would need to be done before FY 2027 instead of before FY 2026 as in the quick transition scenario, and CBP officers would not experience any time savings until FY 2027. This delay would lower the positive present value of the net impact of the rule. Table 14 displays the costs, cost savings, and net impact of the rule under the alternative transition option from FY 2025 to FY 2035. Under a discount rate of 3%, the present value of the net impact in this scenario would be $211,261, which is $27,848 lower than in the quick transition scenario. Under a discounted rate of 7%, the present value of the net impact would be $169,028, which is $26,527 lower than in the quick transition scenario.

TABLE 14—NET IMPACT (LONG TRANSITION), FY 2025–2035 (2024 USD)

Fiscal year	Cost savings	Cost	Net impact
2025	$0	$0	$0
2026	0	7,484	−7,484
2027	28,908	0	28,908
2028	28,908	0	28,908
2029	28,908	0	28,908
2030	28,908	0	28,908
2031	28,908	0	28,908
2032	28,908	0	28,908
2033	28,908	0	28,908
2034	28,908	0	28,908
2035	28,908	0	28,908

As for transfers, the long transition would clearly lead to lower government revenue than in the case of the quick transition, as the long transition year would lead to more of vessels' entries being made past the five-payment cap at a given rate. To project what real government revenue would be in the long transition scenario from FY 2025 to FY 2035, we start by calculating the number and mean net tonnage of taxed entries at each rate in FY 2023 if vessels' baseline tonnage years beginning in FY 2022 had been extended to the end of FY 2023, using the same data and methods described in the Transfers section above. Table 15 shows how these values would have deviated from the baseline results in FY 2023.

TABLE 15—TAXED ENTRIES, LONG TRANSITION YEAR (FY 2023)

	Deviation from FY23 baseline	
	2-Cent entries (%)	6-Cent entries (%)
Mean Net Tonnage	−6.08	−1.63
Number of Taxed Entries	−29.05	−12.74

We then project what the number and mean net tonnage of taxed entries at each rate would be in FY 2026 if the tonnage years beginning in FY 2025 were extended to the end of FY 2026 by applying the percent deviations in Table 15 to our projection of the baseline values in FY 2026. Our projection of the number and mean net tonnage of taxed entries at each rate from FY 2026 to FY 2035 under the long transition alternative is thus composed of our FY 2026 projection of the long transition year values and our FY 2027–2035 projections under the alternative tonnage year calculation method, described in the Transfers section above.

Calculating the annual nominal revenue implied by the projections and converting to real 2024 U.S. dollars, again using the SCE expected inflation rates, we arrive at our FY 2025–2035 projection of real government tonnage tax revenue under the long transition scenario. Once again, our projected revenue for FY 2025 in the long transition scenario would be the same as in the baseline, as the rule would have no effect on vessels' tonnage years until FY 2026. Table 16 and Table 17 compare how the present values and annualized values of government revenue would change after switching from the baseline to the alternative tonnage year calculation method using each transition option under discount rates of 3% and 7%. While a quick transition to the regulatory scenario would raise the present value of government revenue by $2,731,750 (under a discount rate of 3%), a delayed transition would instead lower it by $2,560,531. Under a discount rate of 7%, a quick transition would raise the present value of government revenue by $2,356,447, while a delayed transition would lower it by $2,737,992. The annualized value of tonnage tax revenue over FY 2025–2034 would be $602,346 lower under a delayed transition than under a quick transition to the new tonnage year calculation method under a discount rate of 3%, or $677,882 lower under a discount rate of 7%. This difference in tonnage tax revenue does not factor into the net impact of the transition method. As the loss or gain to some trade members would be exactly offset by the gain or loss to the U.S. Government, the change in tax revenue represents a transfer within society rather than an aggregate cost or cost savings to society.

TABLE 16—TONNAGE TAX REVENUE (2024 USD), TRANSITION OPTIONS, FY25–FY35, 3% DISCOUNT RATE

	Change from baseline to alternative	
	Quick transition	Long transition
Marginal Present Value	$2,731,750	−$2,560,531
Marginal Annualized Value (FY 2025–2034)	310,917	−291,429

TABLE 17—TONNAGE TAX REVENUE (2024 USD), TRANSITION OPTIONS, FY25–FY35, 7% DISCOUNT RATE

	Change from baseline to alternative	
	Quick transition	Long transition
Marginal Present Value	$2,356,447	−$2,737,992
Marginal Annualized Value (FY 2025–2034)	313,556	−364,326

C. Regulatory Flexibility Act Analysis

The Regulatory Flexibility Act (RFA) (5 U.S.C. 603(b)), as amended by the Small Business Regulatory Enforcement and Fairness Act of 1996 (SBREFA), requires an agency to prepare and make available to the public a regulatory flexibility analysis that describes the effect of a proposed rule on small entities (*i.e.,* small businesses, small organizations, and small governmental jurisdictions) when the agency is required ''to publish a general notice of proposed rulemaking for any proposed rule.'' Because this rule is being issued as an interim rule, on the grounds set forth above, a regulatory flexibility analysis is not required under the RFA.

D. Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995, enacted as Public Law 104–4 on March 22, 1995, requires each Federal agency, to the extent permitted by law, to prepare a written assessment of the effects of any Federal mandate in a proposed or final agency rule that may result in the expenditure by state, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more (adjusted annually for inflation) in any one year. *See* 2 U.S.C. 1532(a). This rule will not result in the expenditure by state, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more in any one year. Therefore, no actions were deemed necessary under the provisions of the Unfunded Mandates Reform Act of 1995.

E. Paperwork Reduction Act

The Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3507(d)) requires that CBP consider the impact of paperwork and other information collection burdens imposed on the public. An agency may not conduct, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number assigned by the Office of Management and Budget. The recordkeeping requirements for CBP Forms 1002 and 368 are covered by OMB control number 1651–0076. As a result of this rule, the recordkeeping requirement for CBP Form 1002 is removed as the form will no longer be required. As this form makes up such a small portion of the overall recordkeeping requirement, CBP does not estimate any change in the overall burden associated with this collection.

F. Privacy

CBP will ensure that all Privacy Act requirements and policies are adhered to in the implementation of this rule and will issue or update any necessary Privacy Impact Assessment and/or Privacy Act System of Records notice to fully outline processes that will ensure compliance with Privacy Act protections.

V. Signing Authority

In accordance with Treasury Order 100–20, the Secretary of the Treasury delegated to the Secretary of Homeland Security the authority related to the customs revenue functions vested in the Secretary of the Treasury as set forth in 6 U.S.C. 212 and 215, subject to certain exceptions. This regulation is being issued in accordance with DHS Directive 07010.3, Revision 3.2, which delegates to the Commissioner of CBP the authority to prescribe and approve/ sign regulations related to customs revenue functions.

Rodney S. Scott, Commissioner, having reviewed and approved this document, has delegated the authority to electronically sign this document to the Director (or Acting Director, if applicable) of the Regulations and Disclosure Law Division for CBP, for purposes of publication in the **Federal Register**.

List of Subjects in 19 CFR Part 4

Exports, Freight, Harbors, Maritime carriers, Oil pollution, Reporting and recordkeeping requirements, Vessels.

For the reasons stated in the preamble, CBP amends 19 CFR part 4 as follows:

PART 4—VESSELS IN FOREIGN AND DOMESTIC TRADES

■ 1. The general authority citation for part 4 and the specific authority citation for § 4.20 continue to read as follows:

Authority: 5 U.S.C. 301; 19 U.S.C. 66, 1415, 1431, 1433, 1434, 1624, 2071 note; 46 U.S.C. 501, 60105.

* * * * *

Section 4.20 also issued under 46 U.S.C. 2107(b), 8103, 14306, 14502, 14511–14513, 14701, 14702, 60301–60306, 60312;

* * * * *

■ 2. Amend § 4.20 by revising paragraphs (a)(1) through (4), (b), and (f)(2) to read as follows:

§ 4.20 Tonnage Taxes.

(a) * * *

(1) *Arriving in ballast.* Vessels arriving to the United States in ballast from either a 2-cent port, 6-cent port, or both, will be subject to the tonnage rate applicable to the last port of call.

(2) *Arriving with cargo, passengers, or both from a port, or ports, of the same rate*—(i) Vessels arriving to the United States with cargo, passengers, or any combination thereof taken onboard only at a 2-cent port or ports will be subject to the 2-cent rate.

(ii) Vessels arriving to the United States with cargo, passengers, or any combination thereof taken onboard only at a 6-cent port or ports will be subject to the 6-cent rate.

(3) *Arriving from ports subject to various rates*—(i) If any of the cargo or passengers on board the vessel were taken on board at a 6-cent port, then the vessel will be subject to the 6-cent rate, except for in the situation specified in paragraph (a)(3)(iii) of this section.

(ii) Vessels which transport cargo, passengers, or any combination thereof taken on board at a 6-cent port or ports and which discharge all cargo and passengers in a 2-cent port or ports prior to arriving in the United States will be subject to the 2-cent rate, regardless of whether the vessel is in ballast or took on cargo or passengers at the 2-cent port, as long as there is no cargo or passengers still onboard from a 6-cent port.

(iii) Vessels which arrive to the United States with cargo, passengers, or any combination thereof from a 6-cent port will be subject to the 6-cent rate. If the vessel then proceeds to a foreign 2-cent port to discharge or take on cargo, passengers, or any combination thereof and returns to the United States, the vessel will be subject to the 2-cent rate.

(4) *Yearly maximum met.* A vessel subject to the 6-cent rate will not be assessed at the 2-cent rate, even if the yearly maximum (specified in paragraph (b) of this section) has been met at the 6-cent rate. A vessel subject to the 2-cent rate will not be assessed at the 6-cent rate, even if the yearly maximum (specified in paragraph (b) of this section) has been met at the 2-cent rate.

(b) The tonnage year is equal to the fiscal year beginning on October 1 of each year and ending on September 30 of the following year, without regard to the rate of the payment made at each entry. Each vessel may be charged no more than five payments at the 6-cent rate and no more than five payments at the 2-cent rate within a tonnage year.

* * * * *

(f) * * *

(2) An appendix is attached to the marine document showing a net tonnage ascertained under the so-called ''British rules'' or the rules of any foreign country which have been accepted as substantially in accord with the rules of the United States, in which case the tonnage so shown may be accepted and the date the appendix was issued shall be noted on the Vessel Entrance or Clearance Statement, CBP Form 1300. For the purpose of computing tonnage tax on a vessel with a tonnage mark and dual tonnages, the higher of the net tonnages stated in the vessel's marine document or tonnage certificate shall be used unless the CBP officer concerned is satisfied by report of the boarding officer, statement or certificate of the master, or otherwise that the tonnage mark was not submerged at the time of arrival. Whether the vessel has a tonnage mark, and if so, whether the mark was submerged on arrival, shall be noted on CBP Form 1300 by the boarding officer.

* * * * *

■ 3. Revise § 4.23 to read as follows:

§ 4.23 Receipt of Payment.

Upon payment of regular tonnage tax, special tonnage tax, or light money, the master of the vessel shall be issued a receipt. This receipt shall constitute the official evidence of such payment and shall be presented upon each entry during the tonnage year to ensure against overpayment. In the absence of a receipt, evidence of payment may be obtained from the port director to whom the payment was made.

Robert F. Altneu

Director, Regulations and Disclosure Law Division, Regulations and Rulings, Office of Trade, U.S. Customs and Border Protection.

[FR Doc. 2025–17826 Filed 9–15–25; 8:45 am]

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DEPARTMENT OF STATE

22 CFR Parts 22 and 42

[Public Notice: 12819]

RIN 1400–AG09

Schedule of Fees for Consular Services, Department of State and Overseas Embassies and Consulates—Visa Services Fee Changes

AGENCY: Department of State.

ACTION: Final rule.

SUMMARY: The Department of State (''Department'') proposes an adjustment to the Schedule of Fees for Consular Services of the Department of State's Bureau of Consular Affairs (''Schedule of Fees'' or ''Schedule'') to establish a $1 fee to register for the Diversity Visa lottery program. This change will more fairly place the burden of the lottery registration on individuals seeking the benefit of gaining access to the DV application process instead of charging only the small percentage of successful registrants for the costs associated with administering the lottery program for all registrants. To effect this change to the DV program, the Department is also amending its regulations to note that an electronic registration fee will be collected at the time of registration.

DATES: This final rule is effective September 16, 2025.

ADDRESSES: Please visit *http://regulations.gov* and search for docket number DOS–2025–0302.

FOR FURTHER INFORMATION CONTACT: Steve Jacob, Office of the Comptroller, Bureau of Consular Affairs, Department of State; phone: 771–204–4677; email: *Fees@state.gov.*

SUPPLEMENTARY INFORMATION:

Background

This rule makes a change to Item 33 of the Schedule of Fees by adding a $1 fee to register for the DV lottery in addition to the $330 Diversity Visa Application fee. The cost of managing the DV lottery historically has been included in the Diversity Visa Application fee as authorized by law. *See* 8 U.S.C. 1153 (note) (noting that the Diversity Visa Application fee ''may be set at a level that will ensure recovery of the cost to the Department of State of allocating visas under such section, including the cost of processing all applications thereunder''). By creating a new fee for the lottery registration, the Department will more fairly put the cost of managing the lottery on those who register for it. This change will also help to reduce specious registrations by actors seeking to exploit unsuspecting potential entrants.

To effect this change to the DV program, the Department is also amending 22 CFR 42.33(b)(3) by deleting the following sentence: ''No fee will be collected at the time of submission of a petition, but a processing fee may be collected at a later date, as provided in paragraph (i) of this section.'' In addition, the Department is amending 22 CFR 42.33(i) to note that a registration fee will be collected through an authorized U.S. Government payment portal at the time of registration, prior to submission and completion of the registration.

What is the authority for this action?

Sec. 636 of Public Law 104–208, div. C, Title VI, 110 Stat. 3009–703, reproduced at 8 U.S.C. 1153 (note), authorizes the Secretary of State to collect and retain a ''Diversity Immigrant Lottery Fee.'' Under this fee authority, the Secretary of State may establish and retain a fee to recover the costs of ''allocating visas'' described in 8 U.S.C. 1153, *i.e.,* running the DV lottery pursuant to 8 U.S.C. 1154(a)(1)(I), and to recover the costs of ''processing applications'' for diversity immigrant visas submitted by selectees of the lottery. Per the authority, the Department is permitted but not required to build the costs of running the lottery into the DV application fee. The DV application fee was last adjusted in 2012, when it was lowered from $440 to $330.

In addition to the specific DV application fee authority, the Department derives the general authority to establish cost-based consular fees from the general user charges statute, 31 U.S.C. 9701. *See, e.g.,* 31 U.S.C. 9701(b)(2)(A) (''The head of each agency . . . may prescribe regulations establishing the charge for a service or thing of value provided by the agency . . . based on . . . the costs to the government.''). The President also has the power to set the amount of fees to be charged for consular services provided at U.S. embassies and consulates abroad pursuant to 22 U.S.C. 4219, and has delegated this authority to the Secretary of State, E.O. 10718 (June