

# STAGG

## CLIENT ALERT

### DDTC Proposes to Increase ITAR Registration Fees

April 25, 2024

On April 24, 2024, the U.S. Department of State's Directorate of Defense Trade Controls (DDTC) [published](#) a proposed rule to increase registration fees under the International Traffic in Arms Regulations (ITAR). The Arms Export Control Act (AECA), the statutory authority for the ITAR, requires registration and a registration fee for certain persons that manufacture defense articles or that export, temporarily import, or broker defense articles and defense services. DDTC occasionally changes that fee, and the agency says an increase is needed because current fees no longer account for inflation and the costs of new services it provides to the public.

This proposal is the first sought fee increase in more than 15 years. In 2008, DDTC [amended](#) the ITAR to replace the long-standing single flat fee with a three-tier registration fee system and [eliminated](#) the ability to register for multiple years. Under this system, the first tier has a \$2,250 registration fee for first-time registrants and renewals if there are no favorable authorizations. The second tier has a \$2,750 renewal registration fee and includes up to ten favorable authorizations. The third tier also has a \$2,750 renewal registration fee and imposes an additional \$250 fee per favorable authorization above the included ten authorizations. A favorable authorization is an approval (even if it has provisos) or other written authorization from DDTC.

There have been five previous registration fee increases over the last 55 years:

Year	New Fee	Previous Fee
1969	\$125	\$75
1985	\$250	\$125
1997	\$600	\$250
2004	\$1,750	\$600
2008	\$2,250*	\$1,750

\* As a minimum registration fee under the newly established three-tier system.

The proposed rule would make the following fee changes:

- Tier 1's base registration fee would increase from \$2,250 to \$3,000. This tier still includes brokers that are required to register, regardless of the number of favorable brokering authorizations. It also includes registrants wholly exempt from income taxation under 26 U.S.C. § 501(c)(3).

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- Tier 2's base registration fee would increase from \$2,750 to \$4,000, and the number of included favorable determinations (*i.e.*, favorable authorizations) would decrease from ten to five.
- Tier 3's base registration fee would increase from \$2,750 to \$4,000, and the cost of each additional favorable determination (that exceeds the five included) would increase from \$250 to \$1,100. Under this tier, DDTC would still provide discounts for exporters and temporary importers of low-value items.

Additionally, the proposed rule seeks to make three other revisions to the ITAR. *First*, DDTC proposes to specify the registration fee amounts in the ITAR, which were [removed](#) in 2013 and replaced with referring the public to DDTC's website for that information. *Second*, DDTC proposes to amend ITAR § 129.8 to similarly specify the registration fees for stand-alone brokering registrations, that is, a registered party only registered as a broker and not as a manufacturer or exporter. *Third*, DDTC proposes various non-substantive revisions within Part 122, which concerns the ITAR's registration requirements and process, consistent with its ongoing efforts to [reorganize](#) the ITAR by better arranging the regulations.

DDTC requests public comments on the proposed rule by June 10. If members of the public have any issues with the proposal, they should submit a public comment, which could convince DDTC to take a different approach. The last time the public commented on registration fee increases, DDTC received 27 responses—the majority voicing negative reactions. Although it went forward with the fee increase, the comments convinced DDTC to exclude license applications returned without action as part of the fee calculations, and the agency went a step further by also excluding denied applications. By contrast, the rejected comments mainly concerned opposition to increasing registration fees and alternative registration fee structures. Also, although it did not accept reinstating multi-year registrations, DDTC said it would reconsider it.

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## Contact Information



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With the unique experience of writing and heavily influencing U.S. export control laws, companies turn to Christopher Stagg as their go-to counsel for practical and strategic advice. In addition, he is often engaged as the export controls and ITAR lawyer of “last resort” for enforcement defense and to reverse adverse government actions, and he has the rare distinction of successfully litigating export control issues in federal court. He also serves as the co-chair of the American Bar Association’s export controls and economic sanctions committee.

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