CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 9, 2016

H.R. 3662
Iran Terror Finance Transparency Act

As ordered reported by the House Committee on Foreign Affairs on January 7, 2016

SUMMARY

H.R. 3662 would amend current law to provide more Congressional oversight over U.S. economic and trade sanctions. The bill would prohibit the President from removing certain sanctions unless specific certifications are provided to the Congress. In addition, H.R. 3662 would subject any changes to Iranian sanctions to the Congressional Review Act, which allows the Congress to review and disapprove of new agency rules.

Specifically, H.R. 3662 would require the Administration to make certain certifications before it could remove sanctioned Iranian entities from U.S. lists of specially designated nationals and blocked persons and would expand the prohibited list of organizations under other sanctions. As a result of those requirements, CBO estimates that implementing H.R. 3662 would increase administrative costs of the Treasury Department by less than $500,000 annually, subject to the availability of appropriations.

In addition, because of its possible effect on the removal of sanctions on Iran, H.R. 3662 could increase both revenues and associated direct spending. If the bill's requirement of Presidential certification had no effect on sanctions, there would be no budgetary effect. If, on the other hand, enacting the bill effectively nullified the Joint Comprehensive Plan of Action (JCPOA) related to Iran's nuclear activities, certain sanctions would continue in effect, and additional revenues (relative to CBO's baseline) from penalties for violations of those sanctions would amount to about $220 million over the 2016-2025 period, CBO estimates. Most of those receipts would be spent, so direct spending also would increase, but by less than the revenues. On net, deficits over the 2016-2025 period would be reduced. However, CBO has no basis for a specific estimate of those budgetary effects because it has no basis for projecting how the legislation might affect the timing of the possible waiver of sanctions under the JCPOA.

Because enacting the legislation could affect direct spending and revenues, pay-as-you-go procedures apply. CBO estimates that enacting H.R. 3662 would not increase net direct spending by more than $5 billion and would not increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

BASIS OF ESTIMATE

On July 14, 2015, the JCPOA was agreed to by a number of parties, including negotiators from the United States and Iran. That agreement provides, in part, that under certain conditions Iran will receive relief from certain nuclear-related sanctions imposed by the United States. The United States currently imposes penalties for civil and criminal violations of some sanctions that would be waived under that agreement; collections of those amounts are recorded in the federal budget as additional revenues. Some of the penalties from violating those sanctions are deposited into the United States Victims of State Sponsored Terrorism Fund and can be spent without further appropriation action.

Before the JCPOA is implemented, a number of actions must be taken, including verification by the International Atomic Energy Agency that Iran has taken certain steps related to its nuclear activities. In order to account for uncertainty surrounding the full implementation of the JCPOA, CBO assumes for its baseline that there is a 50 percent chance that, under current law, the JCPOA will be implemented and the sanctions related to Iran's nuclear program will be waived, most likely starting in the first half of calendar year 2016. That assumption is consistent with how CBO would treat the possibility of an agency implementing a notice of proposed rulemaking.

CBO has no basis for assessing whether and to what extent H.R. 3662 would slow the implementation of the JCPOA or whether the potential delay in the lifting of sanctions would entirely stop the implementation of the JCPOA. Hence, CBO has no basis for providing a specific estimate of the increases in revenues and direct spending that could occur under the legislation.

If H.R. 3662 delayed or halted the waiver of sanctions under the JCPOA, CBO expects that the revenues from collections of civil and criminal penalties would increase relative to baseline revenues for existing sanctions because penalties related to those sanctions would continue to be assessed and collected during that time. Also, CBO expects that some additional revenues might be received from penalties for activities associated with the expanded list of organizations with which transactions are prohibited.

In the event that the JCPOA was not implemented as a result of this legislation, CBO estimates that revenues from civil and criminal penalties would increase relative to the baseline, which incorporates a 50 percent chance that the related sanctions are waived, by roughly $220 million over the 2016-2025 period. In that case, the associated direct spending would also increase by a smaller amount. In total, any net increase in revenues would exceed any direct spending effects over the 2016-2025 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3662 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

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