



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 17, 2009

### **Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2009**

*As ordered reported by the Senate Committee on Banking, Housing,  
and Urban Affairs on October 29, 2009*

#### **SUMMARY**

The bill would authorize appropriations for two programs in the Department of the Treasury that combat financial crimes, and for the Bureau of Industry Security (BIS) in the Department of Commerce, which helps certain countries improve controls over their exports. The bill also would require the Department of State to impose new sanctions on persons that supply refined petroleum products to Iran or support the production of such products in Iran. In addition, the bill would expand an existing ban on imports from Iran to cover all products of Iranian origin and would extend the application of existing sanctions to foreign subsidiaries of U.S. parent corporations.

CBO estimates that implementing the bill would cost \$550 million over the 2010-2014 period, assuming appropriation of the necessary amounts. CBO estimates that the bill would have no significant effects on direct spending and revenues.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

The bill would impose private-sector mandates, as defined in UMRA, by prohibiting imports from and exports to Iran and by expanding sanctions under the Iran Sanctions Act. The cost of complying with those mandates would depend on the value of lost profits to importers and exporters under the trade ban, and whether and how some measures would be applied under the bill. Therefore, CBO cannot determine whether the aggregate cost to comply with the mandates in the bill would exceed the annual threshold for private-sector mandates established in UMRA (\$139 million in 2009, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. Most of the costs of this legislation falls within budget functions 150 (international affairs), 370 (commerce and housing credit), and 800 (general government).

	By Fiscal Year, in Millions of Dollars					2010-
	2010	2011	2012	2013	2014	2014
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Department of Treasury Programs						
Estimated Authorization Level	169	177	180	0	0	526
Estimated Outlays	128	175	179	44	0	526
Department of Commerce Programs						
Estimated Authorization Level	3	3	3	3	3	15
Estimated Outlays	2	3	3	3	3	14
Department of State Programs						
Estimated Authorization Level	2	2	1	0	0	5
Estimated Outlays	2	2	1	0	0	5
Reports						
Estimated Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Total Changes						
Estimated Authorization Level	175	183	185	4	4	551
Estimated Outlays	133	181	184	48	4	550

## BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted early in calendar year 2010 and that spending will follow historical patterns for existing and similar programs.

### Spending Subject to Appropriation

The bill would authorize appropriations for programs in the Department of Treasury and the Department of Commerce and would authorize new sanctions administered by the Department of State. In total, CBO estimates that implementing those programs and sanctions would cost \$550 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

**Department of the Treasury Programs.** Section 106 would authorize the appropriation of \$169 million for 2010 and such sums as may be necessary for 2011 and 2012 for the Office of Financial Terrorism and Financial Intelligence and the Financial Crimes Enforcement Network. Those offices received a total of about \$165 million in 2009. Based on information from the Department of the Treasury, CBO expects that \$169 million, adjusted for anticipated inflation, would be sufficient for fiscal years 2011 and 2012 to continue the efforts of those offices. On that basis, CBO estimates that implementing section 106 would cost \$526 million over the 2010-2014 period.

**Department of Commerce Programs.** Title III would establish new programs within BIS to improve controls over certain domestic exports. The bill would require the Secretary of Commerce, in consultation with the Secretary of State and the Secretary of the Treasury, to identify a list of countries that have inadequate export and reexport controls and fail to control exports that divert U.S. goods to unknown parties.

BIS would be authorized to help those countries strengthen their systems to control exports. If, after one year, a country on the list fails to cooperate with efforts to improve its export control system or is found to be involved in the illegal diversion of U.S. exports, it would be subject to more stringent export licensing requirements for certain technologies.

Based on information from BIS, CBO estimates that about 20 staff members would be needed to track export enforcement trends, to monitor activities within the countries of concern, to help such countries improve their export control systems, and to implement the new licensing requirements. CBO estimates that implementing those provisions would cost \$14 million over the 2010-2014 period.

**Department of State Programs.** Section 102 would amend the Iran Sanctions Act of 1996 (which will expire on December 31, 2011) to prohibit any foreign exchange, banking, and property transaction with a person that the President determines has supplied refined petroleum products to Iran or supported the production of such products in Iran. Based on information from the Department of State, CBO estimates that about 10 additional staff members would be needed to gather and analyze information, provide advisory opinions, and administer blocked property. CBO estimates that implementing this provision would cost \$5 million over the 2010-2012 period.

**Reports.** Several sections of the bill would require the Director of National Intelligence and the President to provide the Congress with a variety of reports about Iran, including details of investments in and trade with Iran by the United States and other countries. Based on the costs to prepare similar reports, CBO estimates that, in total, preparing those reports would cost about \$1 million annually.

## **Revenues and Direct Spending**

The bill would have an insignificant effect on revenues and direct spending.

**Prohibition on Imports.** Under current law, nearly all goods of Iranian origin are prohibited from being imported into the United States. Exceptions now exist for certain foodstuffs and carpets. Section 103 would impose a complete ban on all Iranian goods.

Based on data from the United States International Trade Commission on recent imports from Iran and CBO's most recent forecast of total U.S. imports, CBO estimates that the bill would reduce revenues by less than \$500,000 over the 2010-2019 period, net of income and payroll tax offsets.

In recent years, most of the taxable value of imports from Iran consisted of fruit juice, caviar, and certain nuts and dried fruits. The remaining imports, which are not subject to tariffs, consisted largely of other foodstuffs and carpets. In 2008, the value of imports subject to tariffs was about \$26 million, yielding roughly \$500,000 in customs duties. If the bill were to be enacted, CBO assumes that most of the newly banned imports would be replaced with taxable imports from other countries, reducing the loss of customs duties.

Under the bill, the ban on imports would terminate if the President certifies that Iran no longer satisfies the requirements for designation as a state sponsor of terrorism and has ceased efforts to acquire and develop certain weapons technologies. For this estimate, CBO assumes that the President will not make such a certification during the 2010-2019 period.

**Civil and Criminal Penalties.** Section 104 would impose civil and criminal penalties for violations of existing sanctions on the part of foreign subsidiaries of U.S. parent companies. Collections of civil penalties are recorded in the budget as revenues. Collections of criminal penalties also are recorded in the budget as revenues, deposited in the Crime Victims Fund, and later spent without further appropriation. CBO estimates that any additional revenues and direct spending that would result from those penalties would not be significant because of the relatively small number of cases likely to be involved.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

The bill contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

The bill contains private-sector mandates, as defined in UMRA. Because the cost of complying with most of the mandates would depend on the value of lost profits to importers and exporters and whether and how some measures would be applied under the bill, CBO cannot determine whether the aggregate cost the mandates in the bill would exceed the annual threshold for private-sector mandates established in UMRA (\$139 million in 2009, adjusted annually for inflation).

The bill would impose mandates on some businesses by banning all imports from and some exports to Iran. The cost to comply with the mandates would be the forgone net income attributed to the sale of those items prohibited under the sanctions. According to the United States International Trade Commission, in 2008 entities in the United States imported from Iran \$102 million in goods, mostly food items and collectible works of art, and exported about \$40 million in goods, which would be prohibited. The cost of the ban, measured as the forgone net income, is uncertain because the value assigned to those goods as marked for sales or distribution cannot be determined.

By expanding sanctions under the Iran Sanctions Act, the bill could impose mandates on entities in the United States that engage in transactions with businesses or countries sanctioned under that act. The bill would require the President to sanction any entity that provides Iran with refined petroleum resources, or engages in an activity that could contribute to Iran's ability to import such resources. Entities sanctioned for those actions would effectively be prohibited from engaging in business with persons in the United States. In addition, the bill would require the President to impose certain sanctions on entities that invest more than a specified amount of money in businesses involved in Iran's petroleum industry. Should the President impose sanctions, persons in the United States involved in transactions with entities sanctioned under the bill would be required to cease those transactions. The bill would allow the President the discretion to make exceptions in applying such sanctions in cases deemed to be important for the national interests of the United States. The cost of the mandates, if imposed, would be the forgone net income from the prohibited transactions and would depend on the sanctions applied by the President.

The bill also could impose private-sector mandates by directing the President to freeze the funds and other assets of certain Iranian persons, and the assets of their family members and associates to whom they have transferred assets on or after January 1, 2009. Some of those individuals may reside in the United States. Because those subject to sanctions have not been identified, the cost of that mandate is uncertain.

Finally, by imposing new license requirements on exporters of certain products, conditioned upon whether the country where exports are sent has been designated as a Destination of Possible Diversion Concern, the bill could impose a mandate. Because of uncertainty about what countries would be designated, if any, and what products would be subject to additional licensing requirements for export to those countries, the cost of complying with this mandate cannot be determined.

## **PREVIOUS CBO ESTIMATE**

On May 13, 2009, CBO transmitted a cost estimate for H.R. 1327, the Iran Sanctions Enabling Act of 2009 as ordered reported by the House Committee on Financial Services on April 28, 2009. H.R. 1327 would authorize state and local governments to adopt or enforce measures to sell certain of their investments in Iran's energy sector—or prohibit buying such investments—without concern they are interfering with the federal government's conduct of foreign affairs. Title II of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2009 contains similar language concerning divestment from certain companies that invest in Iran. CBO estimates that neither H.R. 1327 nor Title II of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2009 would have a significant effect on the federal budget.

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