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Floor Situation | Summary | Background | Cost | Staff Contact

H.R. 3662, Iran Terror Finance Transparency Act

FLOOR SITUATION

On Wednesday, January 13, 2016, the House will consider H.R. 3662, the Iran Terror Finance Transparency Act, under a closed rule. H.R. 3662 was introduced on October 1, 2015 by Rep. Steve Russell (R-OK), and was referred to the Committee on Foreign Affairs, and in addition, to the Committee on Financial Services. The Foreign Affairs Committee ordered the bill reported by voice vote on January 7, 2016.

SUMMARY

H.R. 3662 provides for enhanced Congressional oversight over U.S. economic and trade sanctions, particularly over Iranian terrorism financiers. Specifically the bill:[1]

- Prohibits the President from removing sanctions on foreign financial institutions until the President certifies such financial institutions have not conducted certain transactions for, or on behalf of, Iran's Revolutionary Guard Corps, a foreign terrorist organization, or anyone sanctioned in connection with Iran's weapons of mass destruction and ballistic missile programs;

- Prohibits the President from removing sanctions on certain Iranian individuals and entities known to have engaged in terrorist activities unless the Administration can certify that such individual or entity is not a terror financier or involved in the proliferation of weapons of mass destruction—particularly ballistic missiles;

- Prohibits the President from removing the designation of Iran as a "primary money laundering concern" until the President certifies that Iran is no longer supporting terrorism, or pursuing weapons of mass destruction or illicit financial activities;

- Enhances congressional oversight over how the Treasury Department licenses businesses to conduct business in Iran; and,

[1] See House Report on H.R. 3662 at 11.

- Ensures that Hezbollah, Hamas, and the Palestinian Islamic Jihad are designated as terrorist organizations for the purposes of financial sanctions against Iran.

BACKGROUND

For more than two decades, Congress has developed and passed strong economic sanctions against Iran in response to Iran's nuclear program, chemical and biological weapons programs, development of ballistic missiles, and support for terrorism. These statutory sanctions brought the Iranian regime to the negotiating table to discuss the parameters of its nuclear energy and weapons programs.[2]

On July 14, 2015, Iran and the six nations that have negotiated with Iran over its nuclear program (the United States, United Kingdom, France, Russia, China, and Germany—collectively known as the P5+1) finalized the Joint Comprehensive Plan of Action (JCPOA). The U.N. Security Council adopted Resolution 2231 on July 20, 2015, which "endorsed the JCPOA and called on U.N. member states to assist in its implementation."[3]

The final agreement provides Iran with substantial relief from sanctions on its ballistic missile program without requiring any limits on Iran's efforts to develop this dangerous technology. In what appears to be a last minute concession driven by Russia and China, after 8 years the agreement removes the ban on Iran developing ballistic missiles potentially capable of reaching the United States. Iran has conducted two ballistic missile tests in the wake of the deal, both in violation of a binding U.N. Security Council resolution. Iranian President Hassan Rouhani has recently ordered the defense ministry to accelerate Iran's missile program.

As part of the agreement, Iran will receive up to $150 billion in funds and or assets held abroad. Such large-scale sanctions relief will allow the Iranian economy to recover and fund a new generation of terrorism and threats. The United States has designated Iran as a State Sponsor of Terrorism since 1984. The State Department report on international terrorism for 2013 stated that Iran ''continued its terrorist-related activity'' and describes Iran's support for key proxies including Hezbollah, Hamas, and the Assad regime as well as opposition militants in Bahrain and separatists in northern Yemen who recently toppled the country's government. Experts warn that Iran's significant support for Shia militias fighting ISIS in Iraq risks fueling sectarian tension. Similarly, Iran has used the Houthi advances in Yemen as an opportunity to advance its regional objectives by leveraging a Zaidi Shiite armed group, similar to its relationship with Shiite Hezbollah leaders in Lebanon. It also sees Yemen as a battlefield in its proxy war with Saudi Arabia, a longtime competitor for regional hegemony.

Until recently, there was no limitation on the President's use of waivers to suspend the sanctions Congress put in place; no requirement that Congress receive full details of any agreement with Iran; no review period for Congress to examine an agreement; no requirement that the President certify Iran is complying; and no way for Congress to quickly re-impose sanctions should Iran fail to comply.[4]

The *Iran Nuclear Agreement Review Act* (INARA), which the House passed by a vote of 400 to 25 on May 14, 2015, and was enacted on May 22, 2015, prevents the President from waiving or suspending

[2] See Senate Committee on Foreign Relations—"*The Iran Nuclear Agreement Review Act of 2015*," Background and Key Details.
[3] See CRS Report—"Iran Nuclear Agreement: Selected Issues for Congress," August 6, 2015, at Summary.
[4] Id.

sanctions before Congress has the chance to vote on an agreement, and allows Congress to permanently remove this waiver authority if it disapproves of the deal over a presidential veto.[5]

No resolution of disapproval, under INARA, has been enacted to nullify the JCPOA; therefore, the President retains the authority to waive or suspend certain sanctions against Iran. However, on September 10, 2015, the House passed H. Res. 411, Finding that the President has not complied with section 2 of the Iran Nuclear Agreement Review Act of 2015, by a vote of 245 to 186.On September 11, 2015, the House rejected legislation (H.R. 3461) to approve the Iran nuclear deal by a vote of 162 to 269.

According to the bill sponsor, "We believe the President needs to provide Congress and the American people justification on why a select, identified group of terrorists and human rights violators no longer qualify to be on those lists."[6]

COST

The Congressional Budget Office (CBO) estimates enacting 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-yougo procedures apply.

STAFF CONTACT

For questions or further information please contact John Huston with the House Republican Policy Committee by email or at 5-0190.

[5] Id.
[6] See Rep. Steve Russell Press Release, "Congressman Russell's Iran Terror Finance Transparency Act Passes Through Foreign Affairs Committee," January 7, 2016.