

IRAN COUNTER-PROLIFERATION ACT OF 2007

AUGUST 2, 2007.—Ordered to be printed

Mr. LANTOS, from the Committee on Foreign Affairs,
submitted the following

R E P O R T

[To accompany H.R. 1400]

[Including cost estimate of the Congressional Budget Office]

The Committee on Foreign Affairs, to whom was referred the bill (H.R. 1400) to enhance United States diplomatic efforts with respect to Iran by imposing additional economic sanctions against Iran, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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THE AMENDMENT

The amendment is as follows:
Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Iran Counter-Proliferation Act of 2007”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

Sec. 1. Short title and table of contents.
Sec. 2. United States policy toward Iran.

TITLE I—SUPPORT FOR DIPLOMATIC EFFORTS RELATING TO PREVENTING IRAN FROM ACQUIRING NUCLEAR WEAPONS

Sec. 101. Support for international diplomatic efforts.
Sec. 102. Peaceful efforts by the United States.

TITLE II—ADDITIONAL BILATERAL SANCTIONS AGAINST IRAN

Sec. 201. Application to subsidiaries.
Sec. 202. Additional import sanctions against Iran.
Sec. 203. Additional export sanctions against Iran.

TITLE III—AMENDMENTS TO THE IRAN SANCTIONS ACT OF 1996

Sec. 301. Multilateral regime.
Sec. 302. Mandatory sanctions.
Sec. 303. Authority to impose sanctions on principal executive officers.
Sec. 304. United States efforts to prevent investment.
Sec. 305. Clarification and expansion of definitions.
Sec. 306. Removal of waiver authority.

TITLE IV—ADDITIONAL MEASURES

Sec. 401. Additions to terrorism and other lists.
Sec. 402. Increased capacity for efforts to combat unlawful or terrorist financing.
Sec. 403. Exchange programs with the people of Iran.
Sec. 404. Reducing contributions to the World Bank.
Sec. 405. Restrictions on nuclear cooperation with countries assisting the nuclear program of Iran.
Sec. 406. Elimination of certain tax incentives for oil companies investing in Iran.

TITLE V—MISCELLANEOUS PROVISIONS

Sec. 501. Termination.

SEC. 2. UNITED STATES POLICY TOWARD IRAN.

(a) **FINDINGS.**—Congress finds the following:

(1) The prospect of the Islamic Republic of Iran achieving nuclear arms represents a grave threat to the United States and its allies in the Middle East, Europe, and globally.

(2) The nature of this threat is manifold, ranging from the vastly enhanced political influence extremist Iran would wield in its region, including the ability to intimidate its neighbors, to, at its most nightmarish, the prospect that Iran would attack its neighbors and others with nuclear arms. This concern is illustrated by the statement of Hashemi Rafsanjani, former president of Iran and currently a prominent member of two of Iran’s most important decisionmaking bodies, of December 14, 2001, when he said that it “is not irrational to contemplate” the use of nuclear weapons.

(3) The theological nature of the Iranian regime creates a special urgency in addressing Iran’s efforts to acquire nuclear weapons.

(4) Iranian regime leaders have persistently denied Israel’s right to exist. Current President Mahmoud Ahmadinejad has called for Israel to be “wiped off the map” and the Government of Iran has displayed inflammatory symbols that express similar intent.

(5) The nature of the Iranian threat makes it critical that the United States and its allies do everything possible—diplomatically, politically, and economically—to prevent Iran from acquiring nuclear-arms capability and persuade the Iranian regime to halt its quest for nuclear arms.

(b) **SENSE OF CONGRESS.**—It is the sense of the Congress that—

(1) Iranian President Ahmadinejad’s persistent denials of the Holocaust and his repeated assertions that Israel should be “wiped off the map” may constitute a violation of the Convention on the Prevention and Punishment of the Crime of Genocide and should be brought before an appropriate international tribunal for the purpose of declaring Iran in breach of the Genocide Convention;

(2) the United States should increase use of its important role in the international financial sector to isolate Iran;

(3) Iran should be barred from entering the World Trade Organization (WTO) until all issues related to its nuclear program are resolved;

(4) all future free trade agreements entered into by the United States should be conditioned on the requirement that the parties to such agreements pledge not to invest and not to allow companies based in its territory or controlled by its citizens to invest in Iran’s energy sector or otherwise to make significant investment in Iran;

(5) United Nations Security Council Resolution 1737 (December 23, 2006), which was passed unanimously and mandates an immediate and unconditional suspension of Iran's nuclear enrichment program, represents a critical gain in the worldwide campaign to prevent Iran's acquisition of nuclear arms and should be fully respected by all nations;

(6) the United Nations Security Council should take further measures beyond Resolution 1737 to tighten sanctions on Iran, including preventing new investment in Iran's energy sector, as long as Iran fails to comply with the international community's demand to halt its nuclear enrichment campaign;

(7) the United States should encourage foreign governments to direct state-owned entities to cease all investment in Iran's energy sector and all exports of refined petroleum products to Iran and to persuade, and, where possible, require private entities based in their territories to cease all investment in Iran's energy sector and all exports of refined petroleum products to Iran;

(8) moderate Arab states have a vital and perhaps existential interest in preventing Iran from acquiring nuclear arms, and therefore such states, particularly those with large oil deposits, should use their economic leverage to dissuade other nations, including the Russian Federation and the People's Republic of China, from assisting Iran's nuclear program directly or indirectly and to persuade other nations, including Russia and China, to be more forthcoming in supporting United Nations Security Council efforts to halt Iran's nuclear program;

(9) the United States should take all possible measures to discourage and, if possible, prevent foreign banks from providing export credits to foreign entities seeking to invest in the Iranian energy sector;

(10) the United States should oppose any further activity by the International Bank for Reconstruction and Development with respect to Iran, or the adoption of a new Country Assistance Strategy for Iran, including by seeking the cooperation of other countries;

(11) the United States should extend its program of discouraging foreign banks from accepting Iranian state banks as clients;

(12) the United States should prohibit all Iranian state banks from using the United States banking system;

(13) United States Federal pension plans should divest themselves of all non-United States companies investing more than \$20,000,000 in Iran's energy sector;

(14) State and local government pension plans should divest themselves of all non-United States companies investing more than \$20,000,000 in Iran's energy sector;

(15) the United States should designate the Islamic Revolutionary Guards Corps, which purveys terrorism throughout the Middle East and plays an important role in the Iranian economy, as a foreign terrorist organization under section 219 of the Immigration and Nationality Act, place the Islamic Revolutionary Guards Corps on the list of specially designated global terrorists, and place the Islamic Revolutionary Guards Corps on the list of weapons of mass destruction proliferators and their supporters;

(16) United States concerns regarding Iran are strictly the result of actions of the Government of Iran; and

(17) the American people have feelings of friendship for the Iranian people, regret that developments of recent decades have created impediments to that friendship, and hold the Iranian people, their culture, and their ancient and rich history in the highest esteem.

TITLE I—SUPPORT FOR DIPLOMATIC EFFORTS RELATING TO PREVENTING IRAN FROM AC- QUIRING NUCLEAR WEAPONS

SEC. 101. SUPPORT FOR INTERNATIONAL DIPLOMATIC EFFORTS.

It is the sense of the Congress that—

(1) the United States should use diplomatic and economic means to resolve the Iranian nuclear problem;

(2) the United States should continue to support efforts in the International Atomic Energy Agency and the United Nations Security Council to bring about an end to Iran's uranium enrichment program and its nuclear weapons program; and

(3)(A) United Nations Security Council Resolution 1737 was a useful first step toward pressing Iran to end its nuclear weapons program; and

(B) in light of Iran's continued defiance of the international community, the United Nations Security Council should adopt additional measures against Iran, including measures to prohibit investments in Iran's energy sector.

SEC. 102. PEACEFUL EFFORTS BY THE UNITED STATES.

Nothing in this Act shall be construed as authorizing the use of force or the use of the United States Armed Forces against Iran.

TITLE II—ADDITIONAL BILATERAL SANCTIONS AGAINST IRAN

SEC. 201. APPLICATION TO SUBSIDIARIES.

(a) **IN GENERAL.**—Except as provided in subsection (b), in any case in which an entity engages in an act outside the United States which, if committed in the United States or by a United States person, would violate Executive Order No. 12959 of May 6, 1995, Executive Order No. 13059 of August 19, 1997, or any other prohibition on transactions with respect to Iran that is imposed under the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) and if that entity was created or availed of for the purpose of engaging in such an act, the parent company of that entity shall be subject to the penalties for such violation to the same extent as if the parent company had engaged in that act.

(b) **EXCEPTION.**—Subsection (a) shall not apply to any act carried out under a contract or other obligation of any entity if such contract or obligation was entered into before the acquisition of such entity by the parent company unless such parent company acquired such entity knowing or having reason to know that such contract or other obligation existed or such contract or other obligation is expanded to cover additional activities beyond the terms of such contract or other obligation as it existed at the time of such acquisition.

(c) **DEFINITIONS.**—In this section—

(1) the term “entity” means a partnership, association, trust, joint venture, corporation, or other organization;

(2) an entity is a “parent company” of another entity if it owns, directly or indirectly, more than 50 percent of the equity interest in that other entity and is a United States person; and

(3) the term “United States person” means any United States citizen, any alien lawfully admitted for permanent residence to the United States, any entity organized under the laws of the United States, or any person in the United States.

SEC. 202. ADDITIONAL IMPORT SANCTIONS AGAINST IRAN.

Effective 120 days after the date of the enactment of this Act—

(1) goods of Iranian origin that are otherwise authorized to be imported under section 560.534 of title 31, Code of Federal Regulations, as in effect on March 5, 2007, may not be imported into the United States; and

(2) activities otherwise authorized by section 560.535 of title 31, Code of Federal Regulations, as in effect on March 5, 2007, are no longer authorized.

SEC. 203. ADDITIONAL EXPORT SANCTIONS AGAINST IRAN.

Effective on the date of the enactment of this Act—

(1) licenses to export or reexport goods, services, or technology relating to civil aviation that are otherwise authorized by section 560.528 of title 31, Code of Federal Regulations, as in effect on March 5, 2007, may not be issued, and any such license issued before such date of enactment is no longer valid; and

(2) goods, services, or technology described in paragraph (1) may not be exported or reexported.

TITLE III—AMENDMENTS TO THE IRAN SANCTIONS ACT OF 1996

SEC. 301. MULTILATERAL REGIME.

Section 4(b) of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended to read as follows:

“(b) **REPORTS TO CONGRESS.**—Not later than 6 months after the date of the enactment of the Iran Counter-Proliferation Act of 2007 and every six months thereafter, the President shall transmit to the appropriate congressional committees a report regarding specific diplomatic efforts undertaken pursuant to subsection (a), the re-

sults of those efforts, and a description of proposed diplomatic efforts pursuant to such subsection. Each report shall include—

“(1) a list of the countries that have agreed to undertake measures to further the objectives of section 3 with respect to Iran;

“(2) a description of those measures, including—

“(A) government actions with respect to public or private entities (or their subsidiaries) located in their territories, that are engaged in Iran;

“(B) any decisions by the governments of these countries to rescind or continue the provision of credits, guarantees, or other governmental assistance to these entities; and

“(C) actions taken in international fora to further the objectives of section 3;

“(3) a list of the countries that have not agreed to undertake measures to further the objectives of section 3 with respect to Iran, and the reasons therefor; and

“(4) a description of any memorandums of understanding, political understandings, or international agreements to which the United States has acceded which affect implementation of this section or section 5(a).”.

SEC. 302. MANDATORY SANCTIONS.

Section 5(a) of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended by striking “2 or more of the sanctions described in paragraphs (1) through (6) of section 6” and inserting “the sanction described in paragraph (5) of section 6 and, in addition, one or more of the sanctions described in paragraphs (1), (2), (3), (4), and (6) of such section”.

SEC. 303. AUTHORITY TO IMPOSE SANCTIONS ON PRINCIPAL EXECUTIVE OFFICERS.

Section 5 of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended by adding at the end the following:

“(g) AUTHORITY TO IMPOSE SANCTIONS ON PRINCIPAL EXECUTIVE OFFICERS.—

“(1) SANCTIONS UNDER SECTION 6.—In addition to the sanctions imposed under subsection (a), the President may impose any of the sanctions under section 6 on the principal executive officer or officers of any sanctioned person, or on persons performing similar functions as such officer or officers. The President shall include on the list published under subsection (d) the name of any person on whom sanctions are imposed under this paragraph.

“(2) ADDITIONAL SANCTIONS.—In addition to the sanctions imposed under paragraph (1), the President may block the property of any person described in paragraph (1), and prohibit transactions in such property, to the same extent as the property of a foreign person determined to have committed acts of terrorism for purposes of Executive Order 13224 of September 23, 2001 (50 U.S.C. 1701 note).”.

SEC. 304. UNITED STATES EFFORTS TO PREVENT INVESTMENT.

Section 5 of the Iran Sanctions Act of 1996 is amended by adding the following new subsection at the end:

“(h) UNITED STATES EFFORTS TO ADDRESS PLANNED INVESTMENT.—

“(1) REPORTS ON INVESTMENT ACTIVITY.—Not later than January 30, 2008, and every 6 months thereafter, the President shall transmit to the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate a report on investment and pre-investment activity, by any person or entity, that could contribute to the enhancement of Iran’s ability to develop petroleum resources in Iran. For each such activity, the President shall provide a description of the activity, any information regarding when actual investment may commence, and what steps the United States has taken to respond to such activity.

“(2) DEFINITION.—In this subsection—

“(A) the term ‘investment’ includes the extension by a financial institution of credit or other financing to a person for that person’s investment; and

“(B) the term ‘pre-investment activity’ means any activity indicating an intent to make an investment, including a memorandum of understanding among parties indicating such an intent.”

SEC. 305. CLARIFICATION AND EXPANSION OF DEFINITIONS.

(a) PERSON.—Section 14(13)(B) of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended to read as follows:

“(B)(i) a corporation, business association, partnership, society, trust, financial institution, insurer, underwriter, guarantor, and any other business organization;

“(ii) any foreign subsidiary of any entity described in clause (i); and

“(iii) any government entity operating as a business enterprise, such as an export credit agency; and”.

(b) **PETROLEUM RESOURCES.**—Section 14(14) of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended by inserting after “petroleum” the second place it appears the following: “, petroleum refining capacity, liquefied natural gas, the sale of oil tankers or liquefied natural gas tankers,”.

SEC. 306. REMOVAL OF WAIVER AUTHORITY.

(a) **SIX-MONTH WAIVER AUTHORITY.**—Section 4 of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended—

(1) in subsection (d)(1), by striking “except those with respect to which the President has exercised the waiver authority of subsection (c)”;

(2) by striking subsection (c); and

(3) by redesignating subsections (d), (e), and (f) as subsections (c), (d), and (e), respectively.

(b) **GENERAL WAIVER AUTHORITY.**—Section 9 of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended by striking subsection (c).

(c) **CONSTRUCTION.**—The amendments made by this section shall not be construed to affect any exercise of the authority of section 4(c) or section 9(c) of the Iran Sanctions Act of 1996 as in effect on the day before the date of the enactment of this Act.

TITLE IV—ADDITIONAL MEASURES

SEC. 401. ADDITIONS TO TERRORISM AND OTHER LISTS.

(a) **DETERMINATIONS AND REPORT.**—Not later than 120 days after the date of the enactment of this Act, the President shall—

(1) determine whether the Islamic Revolutionary Guards Corps should be—

(A) designated as a foreign terrorist organization under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189);

(B) placed on the list of specially designated global terrorists; and

(C) placed on the list of weapons of mass destruction proliferators and their supporters; and

(2) report the determinations under paragraph (1) to the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate, including, if the President determines that such Corps should not be so designated or placed on either such list, the justification for the President’s determination.

(b) **EXTENSION OF AUTHORITY.**—The President may block all property and interests in property of the following persons, to the same extent as property and interests in property of a foreign person determined to have committed acts of terrorism for purposes of Executive Order 13224 of September 21, 2001 (50 U.S.C. 1701 note) may be blocked:

(1) Persons who assist or provide financial, material, or technological support for, or financial or other services to or in support of, the International Revolutionary Guards Corps (IRGC) or entities owned or effectively controlled by the IRGC.

(2) Persons otherwise associated with the IRGC or entities referred to in paragraph (1).

(c) **DEFINITIONS.**—In this section—

(1) the term “specially designated global terrorist” means any person included on the Annex to Executive Order 13224, of September 23, 2001, and any other person identified under section 1 of that Executive order whose property and interests in property are blocked by that section; and

(2) the term “weapons of mass destruction proliferators and their supporters” means any person included on the Annex to Executive Order 13382, of June 28, 2005, and any other person identified under section 1 of that Executive order whose property and interests in property are blocked by that section.

SEC. 402. INCREASED CAPACITY FOR EFFORTS TO COMBAT UNLAWFUL OR TERRORIST FINANCING.

(a) **FINDINGS.**—The work of the Office of Terrorism and Financial Intelligence of the Department of Treasury, which includes the Office of Foreign Assets Control and the Financial Crimes Enforcement Center, is critical to ensuring that the international financial system is not used for purposes of supporting terrorism and developing weapons of mass destruction.

(b) **AUTHORIZATION.**—There is authorized for the Secretary of the Treasury \$59,466,000 for fiscal year 2008 and such sums as may be necessary for each of the fiscal years 2009 and 2010 for the Office of Terrorism and Financial Intelligence.

(c) **AUTHORIZATION AMENDMENT.**—Section 310(d)(1) of title 31, United States Code, is amended by striking “such sums as may be necessary for fiscal years 2002, 2003, 2004, and 2005” and inserting “\$85,844,000 for fiscal year 2008 and such sums as may be necessary for each of the fiscal years 2009 and 2010”.

SEC. 403. EXCHANGE PROGRAMS WITH THE PEOPLE OF IRAN.

(a) **SENSE OF CONGRESS.**—It is the sense of the Congress that the United States should seek to enhance its friendship with the people of Iran, particularly by identifying young people of Iran to come to the United States under United States exchange programs.

(b) **EXCHANGE PROGRAMS AUTHORIZED.**—The President is authorized to carry out exchange programs with the people of Iran, particularly the young people of Iran. Such programs shall be carried out to the extent practicable in a manner consistent with the eligibility for assistance requirements specified in section 302(b) of the Iran Freedom Support Act (Public Law 109–293).

(c) **AUTHORIZATION.**—Of the amounts available to the Department of State for “Educational and Cultural Exchanges” to carry out the Mutual Educational and Cultural Exchange Act of 1961, there is authorized to be appropriated to the President to carry out this section the sum of \$10,000,000 for fiscal year 2008.

SEC. 404. REDUCING CONTRIBUTIONS TO THE WORLD BANK.

The President of the United States shall reduce the total amount otherwise payable on behalf of the United States to the International Bank for Reconstruction and Development for each fiscal year by the percentage represented by—

- (1) the total of the amounts provided by the Bank to entities in Iran, or for projects and activities in Iran, in the then-preceding fiscal year; divided by
- (2) the total of the amounts provided by the Bank to all entities, or for all projects and activities, in the then-preceding fiscal year.

SEC. 405. RESTRICTIONS ON NUCLEAR COOPERATION WITH COUNTRIES ASSISTING THE NUCLEAR PROGRAM OF IRAN.

(a) **IN GENERAL.**—

(1) **RESTRICTION.**—Notwithstanding any other provision of law or any international agreement—

(A) no agreement for cooperation between the United States and the government of any country that is assisting the nuclear program of Iran or transferring advanced conventional weapons or missiles to Iran may be submitted to the President or to Congress pursuant to section 123 of the Atomic Energy Act of 1954 (42 U.S.C. 2153),

(B) no such agreement may enter into force with such country,

(C) no license may be issued for export directly or indirectly to such country of any nuclear material, facilities, components, or other goods, services, or technology that would be subject to such agreement, and

(D) no approval may be given for the transfer or retransfer directly or indirectly to such country of any nuclear material, facilities, components, or other goods, services, or technology that would be subject to such agreement,

until the President makes the determination and report under paragraph (2).

(2) **DETERMINATION AND REPORT.**—The determination and report referred to in paragraph (1) are a determination and report by the President, submitted to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives, that—

(A) Iran has ceased its efforts to design, develop, or acquire a nuclear explosive device or related materials or technology; or

(B) the government of the country that is assisting the nuclear program of Iran or transferring advanced conventional weapons or missiles to Iran—

(i) has suspended all nuclear assistance to Iran and all transfers of advanced conventional weapons and missiles to Iran; and

(ii) is committed to maintaining that suspension until Iran has implemented measures that would permit the President to make the determination described in subparagraph (A).

(b) **CONSTRUCTION.**—The restrictions in subsection (a)—

(1) shall apply in addition to all other applicable procedures, requirements, and restrictions contained in the Atomic Energy Act of 1954 and other laws; and

(2) shall not be construed as affecting the validity of agreements for cooperation that are in effect on the date of the enactment of this Act.

(c) DEFINITIONS.—In this section:

(1) AGREEMENT FOR COOPERATION.—The term “agreement for cooperation” has the meaning given that term in section 11 b. of the Atomic Energy Act of 1954 (42 U.S.C. 2014(b)).

(2) ASSISTING THE NUCLEAR PROGRAM OF IRAN.—The term “assisting the nuclear program of Iran” means the intentional transfer to Iran by a government, or by a person subject to the jurisdiction of a government with the knowledge and acquiescence of that government, of goods, services, or technology listed on the Nuclear Suppliers Group Guidelines for the Export of Nuclear Material, Equipment and Technology (published by the International Atomic Energy Agency as Information Circular INFCIRC/254/Rev. 3/Part 1, and subsequent revisions), or the Nuclear Suppliers Group Guidelines for Transfers of Nuclear-Related Dual-Use Equipment, Material, and Related Technology (published by the International Atomic Energy Agency as Information Circular INFCIR/254/Rev. 3/Part 2, and subsequent revisions).

(3) COUNTRY THAT IS ASSISTING THE NUCLEAR PROGRAM OF IRAN OR TRANSFERRING ADVANCED CONVENTIONAL WEAPONS OR MISSILES TO IRAN.—The term “country that is assisting the nuclear program of Iran or transferring advanced conventional weapons or missiles to Iran” means—

(A) the Russian Federation; and

(B) any other country determined by the President to be assisting the nuclear program of Iran or transferring advanced conventional weapons or missiles to Iran.

(4) TRANSFERRING ADVANCED CONVENTIONAL WEAPONS OR MISSILES TO IRAN.—The term “transferring advanced conventional weapons or missiles to Iran” means the intentional transfer to Iran by a government, or by a person subject to the jurisdiction of a government with the knowledge and acquiescence of that government, of goods, services, or technology listed on—

(A) the Wassenaar Arrangement list of Dual Use Goods and Technologies and Munitions list of July 12, 1996, and subsequent revisions; or

(B) the Missile Technology Control Regime Equipment and Technology Annex of June 11, 1996, and subsequent revisions.

SEC. 406. ELIMINATION OF CERTAIN TAX INCENTIVES FOR OIL COMPANIES INVESTING IN IRAN.

(a) IN GENERAL.—Subsection (h) of section 167 of the Internal Revenue Code of 1986 (relating to amortization of geological and geophysical expenditures) is amended by adding at the end the following new paragraph:

“(6) DENIAL WHEN IRAN SANCTIONS IN EFFECT.—

“(A) IN GENERAL.—If sanctions are imposed under section 5(a) of the Iran Sanctions Act of 1996 (relating to sanctions with respect to the development of petroleum resources of Iran) on any member of an expanded affiliated group the common parent of which is a foreign corporation, paragraph (1) shall not apply to any expense paid or incurred by any such member in any period during which the sanctions are in effect.

“(B) EXPANDED AFFILIATED GROUP.—For purposes of subparagraph (A), the term ‘expanded affiliated group’ means an affiliated group as defined in section 1504(a), determined—

“(i) by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears, and

“(ii) without regard to paragraphs (2), (3), and (4) of section 1504(b).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to expense paid or incurred on or after January 1, 2007.

TITLE V—MISCELLANEOUS PROVISIONS**SEC. 501. TERMINATION.**

(a) TERMINATION.—The restrictions provided in sections 203, 404, and 405 shall cease to be effective with respect to Iran on the date on which the President determines and certifies to the appropriate congressional committees that Iran—

(1) has ceased its efforts to design, develop, manufacture, or acquire—

(A) a nuclear explosive device or related materials and technology;

(B) chemical and biological weapons; and

(C) ballistic missiles and ballistic missile launch technology;

(2) has been removed from the list of countries the governments of which have been determined, for purposes of section 6(j) of the Export Administration Act of 1979 (50 U.S.C. 2405(j)), section 620A of the Foreign Assistance Act of

1961, section 40 of the Arms Export Control Act, or any other provision of law, to have repeatedly provided support for acts of international terrorism; and

(3) poses no significant threat to United States national security, interests, or allies.

(b) DEFINITION.—In subsection (a), the term “appropriate congressional committees” means the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate.

PURPOSE AND SUMMARY

H.R. 1400, the Iran Counter-Proliferation Act of 2007, is designed to deprive Iran of the funds and support it needs to pursue its efforts to develop nuclear weapons and the means to produce them. It includes a broad range of measures, including expanding United States sanctions on Iran, sanctioning companies that invest in Iran, prohibiting civilian nuclear cooperation with countries that support Iran’s nuclear program, and expanding sanctions against Iranian entities that are the instruments for Iran’s support of terrorism.

BACKGROUND AND NEED FOR THE LEGISLATION

Iran poses a significant threat to the United States and our allies in the region. There is wide agreement that it is a vital U.S. national security priority to undertake steps to prevent Iran from acquiring weapons of mass destruction, in particular nuclear weapons, and to end its support for international terrorism. Given that Iran’s economy, and its ability to influence events, is heavily dependent on the revenue derived from energy exports, recent U.S. efforts to prevent Iran from acquiring weapons of mass destruction have focused on seeking to deter foreign investment in Iran’s petroleum sector, while prohibiting U.S. investment.

H.R. 1400, the Iran Counter-Proliferation Act of 2007, is the most recent effort to tighten legislative sanctions on Iran to support such efforts. The legislation is aimed at deterring significant amounts of foreign investment in Iran’s energy sector—specifically, any investment of \$20 million or greater. U.S. individuals and companies have been prohibited from investing in Iran’s petroleum sector since Executive Order 12957 was issued on March 15, 1995 by President Bill Clinton in his response to his Administration’s assessment that “the actions and policies of the Government of Iran constitute an unusual and extraordinary threat to the national security, foreign policy, and economy of the United States.” The White House spokesman at that time, Michael McCurry, made clear that the objectionable activities were Iran’s pursuit of weapons of mass destruction, its support of international terrorism, and its efforts to undermine the Middle East peace process. Responding to the same concerns, a subsequent executive order, E.O. 12959, issued on May 8, 1995, banned all “new investment” in Iran by U.S. individuals and companies. The same executive order banned virtually all trade with Iran. In conjunction with the latter executive order, then-Secretary of State Warren Christopher warned the international community that the path Iran was following was a mirror image of the steps taken by other nations that had sought nuclear weapons capabilities.

The larger goal of H.R. 1400 is two-fold: (1) to prevent Iran from securing nuclear arms and the means to produce them; and (2) to ensure that this goal is achieved in peaceful manner. In short, this

legislation seeks to deprive Iran of a significant amount of the funds it needs to pursue its nuclear ambitions. The energy sector is the natural target of this legislation, as it was of the Iran Sanctions Act (ISA) of 1996 and the Iran Freedom Support Act (IFSA) of 2006, for an obvious reason: energy sales, and especially oil, are Iran's primary source of revenue. In effect, this legislation seeks to present the Islamic Republic of Iran with a choice: either cease its nuclear program, or risk the political and economic future of the Iranian people.

Although U.S. law prohibits American firms from investing in Iran, foreign entities that fall outside of typical U.S. sanctions continue to invest there. Such activity has enhanced the Iranian economy, allowed Iran access to sophisticated technology and know-how, as well as foreign currency, and thereby contributed significantly to Iran's ability to fund terror groups, and to finance the regime's weapons of mass destruction programs, including its nuclear program.

The Iran Counter-Proliferation Act builds on over a decade of legislative and executive action on this issue. After numerous House and Senate hearings to address this problem, Congress passed, and President Clinton signed into law, P.L. 104-172, the "Iran and Libya Sanctions Act of 1996" (ILSA). The purpose of this law was to discourage foreign entities from investing in Iran's petroleum sector by imposing certain sanctions on them. A five year extension to ILSA was signed into law by President George W. Bush on August 3, 2001.

To further strengthen sanctions targeting these investments, on September 30, 2006, Congress passed, and President Bush signed into law, P.L. 109-293, the "Iran Freedom Support Act" (IFSA). Among other provisions, the IFSA strengthened sanctions under the Iran Sanctions Act ("ISA"—as the former "Iran and Libya Sanctions Act of 1996" is now known), including by raising certain waiver thresholds to "vital to the national security interests of the United States," by enlarging the scope of those who might be subject to sanctions, and by enhancing tools for using financial means to address Iran's activities of concern.

However, the enacted version of IFSA did not include language that would make export credit agencies, insurers, and other financial institutions subject to sanctions for their facilitation of investments in Iran's oil industry. To address these gaps, the House Foreign Affairs Committee passed H.R. 957 on February 15, 2007. H.R. 957 also expands the activities covered under the law to include production of petrochemicals and liquefied natural gas. The provisions of H.R. 957 are included in H.R. 1400 to provide a comprehensive approach to the issues addressed in H.R. 1400. The House passed H.R. 957 on July 31, 2007, by a vote of 415-11.

Although ISA was enacted over a decade ago, the Administration has never sanctioned a foreign entity for taking the objectionable step of investing \$20 million or more in Iran's energy sector, even though there have been numerous instances of such investments since ISA became law. On one occasion, Presidential authority has been used to waive sanctions against foreign entities investing in Iran's petroleum sector, and a number of investigations of possible investment in Iran remain active. In this respect, the Committee believes that the laws which have been enacted, as enforced, and

other steps taken by current and past Administrations, have proven inadequate. They have not succeeded in ending Iran's efforts to produce weapons of mass destruction or ending Iran's other, considerable threats to American national interests.

Specifically with respect to ISA, the Committee is deeply dismayed that the current Administration, like the prior Administration, has not acted to sanction a single enterprise for investing in Iran, and has repeatedly delayed its decisions on whether "alleged" investments may be subject to sanctions.

Despite this failure fully to implement its provisions, ISA has made a positive contribution to United States national security. First, certain concessions from countries whose companies would have been subject to sanctions were made with respect to those powers' dealings with Iran, in exchange for waivers of the law's operation, pursuant (in the view of the Administration) to the statute as enacted. In 1998, then-Secretary of State Madeleine Albright found that an investment in Iran, by Total, a French firm, violated ILSA, but waived sanctions and indicated that additional waivers would be forthcoming if there was cooperation from European Union states on non-proliferation matters with respect to Iran. Views on the importance of those concessions and interpretations of the promises of future cooperation vary greatly. Second, the supply of capital to the Iranian petroleum sector has been constrained by the threat of sanctions, driving up the cost of capital—to the disadvantage of Iran. Third, by highlighting the threat from Iran, ILSA has emerged as a deterrent to investment. In 2001, Iranian economic experts themselves noted that "sanctions result in contracts with second [-rate] companies" and "at least double the cost of [Iran's] oil extraction," requiring "a significant part of [Iran's] economic and financial resources are expended to compensate for such limitations." This is one explanation for the widely disparate rate of investment in the energy sector in Iran, on the one hand, and its immediate neighbors, such as Qatar, on the other. For this reason, in 2001, the Congress extended ILSA, as mentioned above, for five years.

The Committee acknowledges that the Administration, after a long and arduous effort, has been able to move the question of Iran's nuclear arms from the International Atomic Energy Agency (IAEA) to the United Nations Security Council (UNSC), where it has secured the passage and implementation of sanctions on Iran. This is an important achievement, but it must now be followed up by further decisive action both within the UNSC, and nationally by like-minded countries that share, in whole or in part, our concerns about Iran.

H.R. 1400 seeks to strengthen the enforcement and implementation of existing law in three primary ways. First and foremost, it removes the Presidential waiver of ISA sanctions. Second, it requires that no U.S. contracts be signed with an offending entity, in addition to other sanctions the President is supposed to choose from the menu of sanctions listed in Section 6 of ISA. Third, it requires the President to submit a report every six months to appropriate congressional committees on foreign investment and pre-investment activity that could contribute to the enhancement of Iran's ability to develop petroleum resources in Iran. Although it does not require the President to make a determination as to

whether such investment activity is sanctionable—or, in the case of pre-investment activity, would be sanctionable—the reporting requirement implicitly presses him to do just that. The reporting requirement also should have a deterrent effect on investment by putting offending entities on notice that they could be subject to ISA sanctions.

Among other major elements of H.R. 1400 as reported by the Committee on Foreign Affairs are the following:

- The President is authorized to sanction CEO's of offending entities, as well as the entities themselves.
- The Administration will not be allowed to sign a nuclear cooperation agreement with any nation that aids Iran's nuclear program.
- Import sanctions are to be re-imposed on all Iranian exports to the United States. The Clinton Administration lifted sanctions on Iranian carpets and other exports in a gesture of goodwill and in an effort to encourage a more forthcoming attitude from Tehran. Nearly a decade later, however, it is clear that Iran has not been responsive.
- The President is required to determine whether the Iranian Revolutionary Guard Corps (IRGC) should be designated as a foreign terrorist organization, placed on the list of specially designated global terrorists, and/or placed on the list of weapons of mass destruction proliferators and their supporters. It also provides blocking the assets and interests of persons who provide support to the IRGC. The IRGC and its Qods Force reportedly train terrorists throughout the Middle East, including in Iraq and in Lebanon. The IRGC is a major base of support for Ahmadinejad and reportedly owns large economic enterprises in Iran. Foreign banks would presumably be reticent about dealing with these enterprises were the IRGC to be declared a terrorist organization or a WMD proliferator.
- The Treasury Department's Office of Terrorism and Financial Intelligence is authorized \$60 million for fiscal year 2008.
- Funds are authorized funds for programs to enhance U.S.-Iranian friendship, especially by organizing exchange programs for young Iranians.
- Title II of H.R. 1400, builds on provisions within Public Law 109–293 by applying ISA sanctions to parent companies of foreign subsidiaries which engage in activity that ISA would prohibit for U.S. entities.
- H.R. 1400 builds on the efforts of Public Law 109–293 and, in conjunction with H.R. 957, would expand ISA sanctions to apply to a “financial institution, insurer, underwriter, guarantor, any other business organization, including any foreign subsidiaries of the foregoing.” H.R. 1400, like H.R. 957, also applies ISA to petroleum by-products and liquefied natural gas, yet H.R. 1400 also

applies the ISA to the sale of oil or liquefied natural gas tankers.

- H.R. 1400 expresses the Sense of Congress commending UNSCR 1737 and urging further such resolutions.
- H.R. 1400 contains a Sense of Congress that the U.S. should try to prevent foreign banks from providing export credits to foreign entities seeking to invest in the Iranian energy sector, complementing provisions in H.R. 957, and elsewhere in H.R. 1400, that address these issues by including export credit agencies in ISA sanctions.
- H.R. 1400 expresses a Sense of Congress of the American people's feelings of friendship with, and esteem for, the Iranian people and praising Iranian culture and history. It also regrets the "impediments" to the U.S.-Iran relationship caused by "developments" in recent decades.

The Committee is convinced that the imminence and seriousness of the nuclear threat Iran would pose fully justify this legislation, and it hopes that our friends and allies will adopt similar measures and cut off further economic relations with Iran until it ends its quest for nuclear arms and stops its support for international terrorism. In the 1990s, some of our friends and allies were still holding out hope that Iran's nuclear efforts were strictly geared toward peaceful energy use. By now, however, virtually every one of them understands and acknowledges that Iran is determined to pursue its nuclear program up to and including the production of nuclear arms. Therefore, it is time for their actions and sense of urgency to catch up with their stated perceptions. The profitability of private companies pales in importance when compared to the dangers posed by a nuclear Iran. Moreover, investment in Iran's energy sector helps to sustain Iran's nuclear program and therefore strengthens the voices of those who claim that the urgency of the situation requires a solution by other than peaceful means. It is time for the international community simply to cease investing in Iran's energy industry, and this legislation is intended to help facilitate that result. Meanwhile, this legislation is intended to reinforce actions at the UNSC, not undermine them.

HEARINGS

Over the years, the Committee has held multiple briefings and hearings related to the subject matter of H.R. 1400, particularly since 2003 and continuing into the 110th Congress. On January 11, 2007, the Full Committee held a briefing entitled, "Next Steps in the Iran Crisis." The Committee was briefed by the Under Secretary of state for Political Affairs, Thomas R. Pickering, and the former Director of the Central Intelligence Agency, R. James Woolsey. The Full Committee held a hearing on January 31, 2007, entitled, "Understanding the Iran Crisis." Testimony was heard from private witnesses. On March 6, 2007, the Committee held a hearing entitled, "The Iranian Challenge," with testimony heard from the Under Secretary of State for Political Affairs, R. Nicholas Burns. On March 15, 2007, the Subcommittee on Terrorism, Non-proliferation and Trade, and the Subcommittee on the Middle East

and South Asia held a joint hearing entitled, "Iranian Nuclear Crisis: Latest Developments and Next Steps."

COMMITTEE CONSIDERATION

On June 26, 2007, the Committee met in open session and ordered favorably reported the bill H.R. 1400, as amended, by a vote of 37-1, a quorum being present.

VOTES OF THE COMMITTEE

Clause (3)(b) of rule XIII of the Rules of the House of Representatives requires that the results of each record vote on an amendment or motion to report, together with the names of those voting for or against, be printed in the committee report.

H.R. 1400 was reported favorably to the House, as amended, by a vote of 37-1.

Voting yes: Lantos, Berman, Ackerman, Faleomavaega, Payne, Sherman, Delahunt, Watson, Smith (WA), Green, Woolsey, Jackson Lee, Hinojosa, Wu, Miller, Sanchez, Scott, Costa, Sires, Giffords, Klein, Ros-Lehtinen, Smith (NJ), Gallegly, Rohrabacher, Manzullo, Chabot, Tancredo, Pence, Wilson, Boozman, Barrett, McCaul, Poe, Inglis, Fortuno, and Bilirakis.

Voting no: Flake.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the committee reports that the findings and recommendations of the committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of House Rule XIII is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the committee sets forth, with respect to the bill, H.R. 1400, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 11, 2007.

Hon. TOM LANTOS, *Chairman,*
Committee on Foreign Affairs,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1400, the Iran Counter-Proliferation Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sam Papenfuss, who can be reached at 226–2840.

Sincerely,

PETER R. ORSZAG.

Enclosure

cc: Honorable Ileana Ros-Lehtinen
Ranking Member

H.R. 1400—Iran Counter-Proliferation Act of 2007

SUMMARY

H.R. 1400 would authorize the appropriation of funds for two specific programs within the Department of Treasury relating to financial crimes and terrorism. The bill also would authorize an exchange program with Iran. Additionally, the bill would ban the import of certain items from Iran and would allow the President to impose sanctions on certain individuals. Finally, the bill would prohibit the transfer of nuclear material, components, or technology to countries that are assisting Iran to develop nuclear technology.

CBO estimates that implementing H.R. 1400 would cost \$116 million in 2008 and \$490 million over the 2008–2012 period, assuming appropriation of the necessary funds. In addition, enacting the bill would reduce revenues by less than \$500,000 in 2008, by \$2 million over the 2008–2012 period, and by \$4 million over the 2008–2017 period. Enacting H.R. 1400 would not affect direct spending.

H.R. 1400 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 1400 would impose private-sector mandates, as defined in UMRA, by requiring sanctions on certain imports and exports with Iran. Based on information from the Departments of Commerce and State, CBO expects that the direct cost of complying with the mandates would fall below the annual threshold for private-sector mandates established by UMRA (\$131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1400 is summarized in Table 1. The costs of this legislation falls within budget functions 150 (international affairs), 750 (administration of justice), and 800 (general government).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 1400

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION ¹						
Spending Under Current Law						
Budget Authority ²	110	0	0	0	0	0
Estimated Outlays	110	27	0	0	0	0
Proposed Changes						
Department of Treasury Programs						
Estimated Authorization Level	0	145	149	153	0	0
Estimated Outlays	0	111	147	151	36	0
Exchange Programs						
Estimated Authorization Level	0	10	10	10	11	11
Estimated Outlays	0	5	9	10	10	11
Total Changes						
Estimated Authorization Level	0	155	159	163	11	11
Estimated Outlays	0	116	156	161	46	11
Spending Under H.R. 1400						
Estimated Authorization Level ²	110	155	159	163	11	11
Estimated Outlays	110	143	156	161	46	11

¹In addition to the amounts shown above, enacting H.R. 1400 also would lower revenues by less than \$500,000 a year over the 2008–2012 period, totaling \$2 million over that period. For the changes in revenues over the 10-year period, see Table 2.

²The 2007 level is the estimated budget authority available for two programs in the Department of Treasury: the Office of Terrorism and Financial Intelligence (\$39 million) and the Financial Crimes Enforcement Network (\$71 million).

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that the bill will be enacted before the start of fiscal year 2008 and that spending will follow historical outlay patterns for similar programs.

Spending Subject to Appropriation

H.R. 1400 would authorize appropriations for specific programs within both the Department of Treasury and the Department of State. In total, CBO estimates that implementing these authorizations would cost \$490 million over the 2008–2012 period, assuming appropriation of the estimated amounts.

Department of Treasury Programs. In total, section 402 would authorize the appropriation of \$145 million in 2008 and such sums as may be necessary for 2009 and 2010; \$59 million for the Office of Terrorism and Financial Intelligence and \$86 million for the Financial Crimes Enforcement Network, both of which are in the Department of Treasury. Based on information from the Department of Treasury, CBO expects that \$145 million, adjusted for inflation, would be sufficient for fiscal years 2009 and 2010. Accordingly, CBO estimates that implementing section 402 would cost \$111 million in 2008 and \$445 million over the 2008–2012 period, assuming appropriation of the estimated amounts.

Exchange Programs. Section 403 would authorize the President to implement an exchange program with Iran and would authorize the appropriation of \$10 million in 2008 to implement that program. Because the exchange program has a permanent authorization, CBO estimates that the bill also would authorize funding for fiscal years 2009 through 2012 equal to the \$10 million authorized for 2008, adjusted for inflation. Thus, CBO estimates that imple-

menting section 403 would cost \$5 million in 2008 and \$45 million over the 2008–2012 period, assuming appropriation of the estimated amounts.

Revenues

Section 202 would disallow imports of certain foodstuffs and carpets from Iran. CBO estimates that this provision would reduce revenues by less than \$500,000 in 2008, by \$2 million over the 2008–2012 period, and by \$4 million over the 2008–2017 period, as shown in Table 2.

TABLE 2. ESTIMATED CHANGES IN REVENUES UNDER H.R. 1400

	By Fiscal Year, in Millions of Dollars												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008– 2012	2008– 2017	
Estimated Revenues	*	*	*	*	*	*	*	*	*	-1	-1	-2	-4

Note: * = revenue loss of less than \$500,000.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1400 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1400 would impose private-sector mandates, as defined in UMRA, by requiring sanctions on certain imports and exports with Iran. The bill would impose sanctions by terminating the authority contained in existing regulation that allow the import of carpets and certain foodstuffs into the United States. The bill also would impose other sanctions by prohibiting the export of civil aviation equipment to Iran. According to the Departments of Commerce and State, in 2006 the United States imported from Iran about \$143 million in carpets and foodstuffs and exported to Iran about \$15,000 in civil aviation equipment. While CBO lacks information on the value of lost profits to importers and exporters resulting from the prohibition on those items, CBO expects that the direct cost of complying with those mandates would fall below UMRA's annual threshold (\$131 million in 2007, adjusted annually for inflation).

PREVIOUS CBO ESTIMATES

On June 13, 2007, CBO transmitted a cost estimate for a similar bill, H.R. 2347, the Iran Sanctions Enabling Act of 2007, as ordered reported by the House Committee on Financial Services on May 23, 2007. CBO determined that the bill contained a private-sector mandate on entities participating in certain private pension plans. CBO, however, could not determine whether the aggregate cost of the mandates would exceed the annual threshold.

On February 27, 2007, CBO transmitted an estimate for H.R. 957, a bill to amend the Iran Sanctions Act of 1996 to expand and clarify the entities against which sanctions may be imposed, as ordered reported by the House Committee on Foreign Affairs on February 15, 2007. That bill is similar to section 304 of H.R. 1400 and

the estimated costs are the same. CBO determined that the bill contained no new mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Spending: Sam Papenfuss and Sunita D'Monte (226–2840)
Federal Revenues: Emily Schlect (226–2680)
Impact on State, Local, and Tribal Governments: Neil Hood (225–3220)
Impact on the Private Sector: Paige Piper/Bach (226–2960)

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis
Peter H. Fontaine
Deputy Assistant Director for Budget Analysis

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c) of House rule XIII, upon enactment of this legislation, Iran would be further deprived of the funds and support it needs to pursue efforts to develop and produce nuclear weapons.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d) (1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in article I, section 8 of the Constitution.

NEW ADVISORY COMMITTEES

H.R. 1400 does not establish or authorize any new advisory committees.

CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 1400 does not apply to the Legislative Branch.

EARMARK IDENTIFICATION

H.R. 1400 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(d), 9(e), or 9(f) of rule XXI.

SECTION-BY-SECTION ANALYSIS AND DISCUSSION

Section 1. Short Title and Table of Contents.

Section 1 provides that the Act may be referred to as the “Iran Counter-Proliferation Act of 2007” and provides a table of contents.

Section 2. United States Policy Toward Iran.

Section 2 finds that the prospect of the Islamic Republic of Iran achieving nuclear arms represents a grave threat to the United States and its allies and that radical statements by Iranian leaders suggest a nuclear Iran may not be preventable. It consequently finds that it is critical for the United States and its allies to do everything diplomatically, politically, and economically viable in

order to dissuade the Iranian regime from its pursuit of nuclear arms.

Section 2 also states the sense of Congress as to the following: that Iranian President Ahmadinejad's statements regarding the Holocaust and Israel may constitute a violation of the Convention on the Prevention and Punishment of the Crime of Genocide and should be brought before an international tribunal; that the United States should increase its efforts in the international financial sector to isolate Iran; that Iran should be barred from entering the World Trade Organization until all issues related to its nuclear program are resolved; that all future trade agreements involving Iran should be conditioned so as to preclude investment in Iran's energy sector; that UNSCR 1737 represents a "critical gain" in the campaign to prevent Iran's acquisition of nuclear arms and should be respected by all nations; that the UN should take further measures beyond Resolution 1737 to tighten sanctions on Iran; that moderate Arab states should exert leverage over other nations, including Russia and China, to be more forthcoming in supporting UN Security Council efforts to halt Iran's nuclear program; that the U.S. should discourage foreign banks from providing export credits to foreign entities seeking to invest in the Iranian energy sector; that the U.S. should continue discouraging foreign banks from accepting Iranian banks as clients; that the U.S. should prohibit all Iranian state banks from using the American banking system; that Federal, state, and local government pension plans should divest themselves of all non-U.S. companies investing more than \$20 million in Iran's energy sector; and that the U.S. should designate the Iranian Revolutionary Guard Corps as a foreign terrorist organization and a Specially Designated Global Terrorist group and put it on the list of proliferators and supporters of weapons of mass destruction.

TITLE I—SUPPORT FOR DIPLOMATIC EFFORTS RELATING TO
PREVENTING IRAN FROM ACQUIRING NUCLEAR WEAPONS

Section 101. Support for International Diplomatic Efforts.

Section 101 states the sense of Congress as to the following: that the United States should use diplomatic and economic means to resolve the Iranian nuclear problem; that the U.S. should continue to support efforts in the International Atomic Energy Agency and the UN Security Council to bring about an end to Iran's programs for uranium enrichment and nuclear weapons; that UNSCR 1737 was a useful first step toward these ends; and that the Security Council should adopt additional measures against Iran, include measures to prohibit investments in its energy sector.

Section 102. Peaceful Efforts by the United States.

Section 102 states that nothing in H.R. 1400 shall be construed as authorizing the use of force or the use of the United States Armed Forces against Iran.

TITLE II—ADDITIONAL BILATERAL SANCTIONS AGAINST IRAN

Section 201. Application to Subsidiaries.

Section 201 generally declares that in cases in which an entity engages in an act outside the U.S. that would violate Executive

Order No. 12959 of May 6, 1995; Executive Order 13059 of August 19, 1997; or any other prohibition on transactions with respect to Iran that is imposed under the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) and if that entity was created or availed for the purpose of engaging in such an act, the parent company of that entity shall be subject to the same penalties as if the parent company had engaged in that act. In this context a “parent company” is defined by owning, directly or indirectly, more than 50 percent equity interest in that other entity and is a United States person. “Entity” is defined as a “partnership, associated, trust, joint venture, corporation, or other organization”.

Although the IFSA codified Section 3 of Executive Order 12959 (which authorizes the Secretary of the Treasury to take legal action against United States persons based on oil transactions engaged in by their foreign affiliates with Iran), and Section 2(f) of Executive Order 13059 (which includes foreign subsidiaries as entities subject to sanctions for violating U.S. law), concerns remained that existing law required the clarification that sanctions under the ISA should apply to certain foreign subsidiaries of U.S. companies.

To eliminate these concerns, H.R. 957 was amended by an Amendment in the Nature of a Substitute, which was adopted during consideration of the bill by the House Foreign Affairs Committee on February 15, 2007. The amendment provided for imposition of liability on parent companies for violations of sanctions by their foreign subsidiaries. For completeness, this was included as Section 201 of the current bill.

Section 202. Additional Import Sanctions Against Iran.

Section 202 terminates the authority contained in existing regulations to allow the import of carpets and certain foodstuffs into the United States.

Section 203. Additional Export Sanctions Against Iran.

Section 203 prohibits the export of civil aviation equipment to Iran.

TITLE III—AMENDMENTS TO THE IRAN SANCTIONS ACT OF 1996

Section 301. Multilateral Regime.

Section 301 amends the Iran Sanctions Act to require additional reporting on specific U.S. diplomatic efforts to pursue a multilateral regime against Iran. The report shall include a list of countries that have agreed to undertake measures against Iran; a description of those measures; any decision by such governments to rescind or continue credits, guarantees or other governmental assistance; and actions taken in international fora. It also requires a list of countries that have not agreed to undertake such measures and a description of political understandings or international agreements to which the United States is a party and which affect the implementation of section 5 of the Act.

Section 302. Mandatory Sanctions.

Section 302 amends section 5 of the Iran Sanctions Act to require that, at a minimum, companies that meet the investment threshold in the Act cannot sell to the U.S. government.

Section 303. Authority to Impose Sanctions on Principal Executive Officers.

Section 303 amends section 5 of the Iran Sanctions Act to add the authority to impose sanctions on principal executive officers of any sanctioned person, or on persons performing similar functions as such officer or officers. In addition, the President may block the property of any such persons.

Section 304. United States Efforts to Prevent Investment.

Section 304 requires that the President submit a report every six months to appropriate congressional committees on investment and pre-investment activity that could significantly contribute to the enhancement of Iran's ability to develop petroleum resources in Iran; for each instance the report should include a description of the activity, any information regarding when the actual investment may commence, and what steps the U.S. has taken to respond to such activity. For the purposes of this requirement, "investment" is defined so as to include "the extension by a financial institution of credit or other financing to a person for that person's investment" and the term "pre-investment activity" is defined as "any activity indicating an intent to make an investment, including a memorandum of understanding among parties indicating such an intent."

Section 305. Clarification and Expansion of Definitions.

Section 304 amends Section 14(13) of the Iran Sanctions Act of 1996 by adding any financial institution, insurer, underwriter, guarantor, any other business organization, including any foreign subsidiaries to be subject to sanctions. It further amends paragraph (13) to clarify that a foreign export credit agency may be subject to sanctions to the extent that such an agency is a governmental entity operating as a business enterprise. Under the underlying Iran Sanctions Act, if a foreign export credit agency engages in activity that would make such an agency subject to sanctions under the Act, such sanctions would apply to the foreign export credit agency itself, not against other parts of the foreign government associated with such agency. It also amends Section 14(14) to include petroleum by-products, liquefied natural gas, and the sale of oil or liquefied natural gas tankers. The Committee intends that section 5(a) of the ISA apply to any covered entity that sells such tankers to Iran.

Section 306. Removal of Waiver Authority.

Section 306 eliminates the ability of the President to waive sanctions under the Iran Sanctions Act under section 4 or section 9.

TITLE IV—ADDITIONAL MEASURES

Section 401. Additions to Terrorism and Other List.

Subsection (a) requires that the President determine within 120 days of the bill's enactment whether the Iranian Revolutionary Guard Corps (IRGC) should be designated as a foreign terrorist organization, placed on the list of specially designated global terrorists, and/or placed on the list of weapons of mass destruction proliferators and their supporters, and report that determination to the House Committee on Foreign Affairs and the Senate Com-

mittee on Foreign Relations. Subsection (b) also extends the authority of the President to block all property and interest of persons who assist or otherwise support the IRGC or entities owned or effectively controlled by the IRGC.

Section 402. Increased Capacity for Efforts to Combat Unlawful or Terrorist Financing

Section 402 affirms the importance of the Office of Terrorism and Financial Intelligence of the Department of Treasury and authorizes \$59,466,000 for the Office for fiscal year 2008 and such sums as may be necessary for fiscal years 2009 and 2010. It also amends Section 301(d)(1) of title 31, United States Code to include authorizations of \$85,844,000 for fiscal year 2008 and such sums as may be necessary for fiscal years 2009 and 2010 for the Financial Crimes Enforcement Network. The authorizations for fiscal year 2008 are the request levels for both entities.

Section 403. Exchange Programs with the People of Iran.

Section 403 declares the sense of Congress that the United States should seek to enhance its friendship with the people of Iran, particularly by identifying young people of Iran to come to the United States under United States exchange programs. It also authorizes \$10,000,000 for such programs to carry out that purpose and provides that such programs shall be carried out to the extent practicable in a manner consistent with the eligibility for assistance requirements specified in section 302(b) of the Iran Freedom Support Act. The Committee does not intend to extend exchanges to Iranian officials or employees who are involved in the development of weapons of mass destruction, support for international terrorism, or other actions that harm U.S. interests.

Section 404. Reducing Contributions to the World Bank.

Section 404 states that the United States shall decrease its overall contributions to the International Bank for Reconstruction and Development in accordance to the percentage of total Bank investments that were made in Iran the preceding year. This provision applies to capital replenishments of the World Bank, not to contributions made to the International Development Association.

Section 405. Restrictions on Nuclear Cooperation with Countries Assisting the Nuclear Program of Iran.

Section 405 provides that, notwithstanding any other provision of law or any international agreement, no bilateral U.S. cooperation agreements with Russia or with any other countries assisting Iran's nuclear or missile or advanced conventional weapons programs may be submitted to Congress pursuant to the Atomic Energy Act of 1954, no such agreement may enter into force, no license may be issued to export nuclear goods or services to such a country, and no approval may be given for such transfer, until the President determines and reports to the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations certifying the following: that Iran has ceased its pursuit of a nuclear explosive device; and that the relevant government has suspended all such assistance to Iran and is committed to maintaining the suspension until Iran has implemented measures to cease its pur-

suit of a nuclear explosive device. These requirements shall apply to all other applicable procedures, requirements, and restrictions contained in the Atomic Energy Act of 1954 and other laws but shall not affect the validity of cooperation agreements already in effect upon the enactment of the Act.

Section 406 Elimination of Certain Tax Incentives for Oil Companies Investing in Iran

This section provides that the U.S. subsidiary of any company which is subject to sanctions under section 5(a) of the Iran Sanctions Act will no longer be eligible for tax benefits relating to geophysical exploration for petroleum resources in the United States under section 167(h) of the Internal Revenue Code of 1986.

TITLE V—MISCELLANEOUS PROVISIONS

Section 501. Termination.

Section 501 states that the restrictions provided in sections 203, 404, and 405 shall no longer have force or effect if the President determines and certifies to the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations that Iran has stopped pursuing a nuclear explosive device or related materials and technology, chemical and biological weapons, ballistic missiles and launch technology, has been removed from the list of countries sponsoring terrorism under the Export Administration Act of 1979, and poses no significant threat to the United States or its allies.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

IRAN SANCTIONS ACT OF 1996

* * * * *

SEC. 4. MULTILATERAL REGIME.

(a) * * *

[(b) **REPORTS TO CONGRESS.**—The President shall report to the appropriate congressional committees, not later than 1 year after the date of the enactment of this Act, and periodically thereafter, on the extent that diplomatic efforts described in subsection (a) have been successful. Each report shall include—

[(1) the countries that have agreed to undertake measures to further the objectives of section 3 with respect to Iran, and a description of those measures; and

[(2) the countries that have not agreed to measures described in paragraph (1), and, with respect to those countries, other measures (in addition to that provided in subsection (d)) the President recommends that the United States take to further the objectives of section 3 with respect to Iran.

[(c) **WAIVER.**—

【(1) IN GENERAL.—The President may, on a case by case basis, waive for a period of not more than six months the application of section 5(a) with respect to a national of a country, if the President certifies to the appropriate congressional committees at least 30 days before such waiver is to take effect that such waiver is vital to the national security interests of the United States.

【(2) SUBSEQUENT RENEWAL OF WAIVER.—If the President determines that, in accordance with paragraph (1), such a waiver is appropriate, the President may, at the conclusion of the period of a waiver under paragraph (1), renew such waiver for subsequent periods of not more than six months each.】

(b) *REPORTS TO CONGRESS.*—Not later than 6 months after the date of the enactment of the Iran Counter-Proliferation Act of 2007 and every six months thereafter, the President shall transmit to the appropriate congressional committees a report regarding specific diplomatic efforts undertaken pursuant to subsection (a), the results of those efforts, and a description of proposed diplomatic efforts pursuant to such subsection. Each report shall include—

(1) a list of the countries that have agreed to undertake measures to further the objectives of section 3 with respect to Iran;

(2) a description of those measures, including—

(A) government actions with respect to public or private entities (or their subsidiaries) located in their territories, that are engaged in Iran;

(B) any decisions by the governments of these countries to rescind or continue the provision of credits, guarantees, or other governmental assistance to these entities; and

(C) actions taken in international fora to further the objectives of section 3;

(3) a list of the countries that have not agreed to undertake measures to further the objectives of section 3 with respect to Iran, and the reasons therefor; and

(4) a description of any memorandums of understanding, political understandings, or international agreements to which the United States has acceded which affect implementation of this section or section 5(a).

【(d)】 (c) ENHANCED SANCTION.—

(1) SANCTION.—With respect to nationals of countries [except those with respect to which the President has exercised the waiver authority of subsection (c)], at any time after the first report is required to be submitted under subsection (b), section 5(a) shall be applied by substituting “\$20,000,000” for “\$40,000,000” each place it appears, and by substituting “\$5,000,000” for “\$10,000,000”.

* * * * *

【(e)】 (d) INTERIM REPORT ON MULTILATERAL SANCTIONS; MONITORING.—The President, not later than 90 days after the date of the enactment of this Act, shall report to the appropriate congressional committees on—

(1) * * *

* * * * *

【(f)】 (e) INVESTIGATIONS.—

(1) * * *

* * * * *

SEC. 5. IMPOSITION OF SANCTIONS.

(a) **SANCTIONS WITH RESPECT TO THE DEVELOPMENT OF PETROLEUM RESOURCES OF IRAN.**—Except as provided in subsection (f), the President shall impose [2 or more of the sanctions described in paragraphs (1) through (6) of section 6] *the sanction described in paragraph (5) of section 6 and, in addition, one or more of the sanctions described in paragraphs (1), (2), (3), (4), and (6) of such section* if the President determines that a person has, with actual knowledge, on or after the date of the enactment of this Act, made an investment of \$40,000,000 or more (or any combination of investments of at least \$10,000,000 each, which in the aggregate equals or exceeds \$40,000,000 in any 12-month period), that directly and significantly contributed to the enhancement of Iran's ability to develop petroleum resources of Iran.

* * * * *

(g) AUTHORITY TO IMPOSE SANCTIONS ON PRINCIPAL EXECUTIVE OFFICERS.—

(1) **SANCTIONS UNDER SECTION 6.**—*In addition to the sanctions imposed under subsection (a), the President may impose any of the sanctions under section 6 on the principal executive officer or officers of any sanctioned person, or on persons performing similar functions as such officer or officers. The President shall include on the list published under subsection (d) the name of any person on whom sanctions are imposed under this paragraph.*

(2) **ADDITIONAL SANCTIONS.**—*In addition to the sanctions imposed under paragraph (1), the President may block the property of any person described in paragraph (1), and prohibit transactions in such property, to the same extent as the property of a foreign person determined to have committed acts of terrorism for purposes of Executive Order 13224 of September 23, 2001 (50 U.S.C. 1701 note).*

(h) UNITED STATES EFFORTS TO ADDRESS PLANNED INVESTMENT.—

(1) **REPORTS ON INVESTMENT ACTIVITY.**—*Not later than January 30, 2008, and every 6 months thereafter, the President shall transmit to the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate a report on investment and pre-investment activity, by any person or entity, that could contribute to the enhancement of Iran's ability to develop petroleum resources in Iran. For each such activity, the President shall provide a description of the activity, any information regarding when actual investment may commence, and what steps the United States has taken to respond to such activity.*

(2) DEFINITION.—*In this subsection—*

(A) *the term "investment" includes the extension by a financial institution of credit or other financing to a person for that person's investment; and*

(B) *the term "pre-investment activity" means any activity indicating an intent to make an investment, including a*

memorandum of understanding among parties indicating such an intent.

* * * * *

SEC. 9. DURATION OF SANCTIONS; PRESIDENTIAL WAIVER.

(a) * * *

* * * * *

[(c) PRESIDENTIAL WAIVER.—

[(1) AUTHORITY.—The President may waive the requirement in section 5 to impose a sanction or sanctions on a person described in section 5(c), and may waive the continued imposition of a sanction or sanctions under subsection (b) of this section, 30 days or more after the President determines and so reports to the appropriate congressional committees that it is important to the national interest of the United States to exercise such waiver authority.

[(2) CONTENTS OF REPORT.—Any report under paragraph (1) shall provide a specific and detailed rationale for the determination under paragraph (1), including—

[(A) a description of the conduct that resulted in the determination under section 5(a) or (b), as the case may be;

[(B) in the case of a foreign person, an explanation of the efforts to secure the cooperation of the government with primary jurisdiction over the sanctioned person to terminate or, as appropriate, penalize the activities that resulted in the determination under section 5(a) or (b), as the case may be;

[(C) an estimate of the significance of the provision of the items described in section 5(a) or section 5(b) to Iran’s ability to, respectively, develop its petroleum resources or its weapons of mass destruction or other military capabilities; and

[(D) a statement as to the response of the United States in the event that the person concerned engages in other activities that would be subject to section 5(a) or (b).

[(3) EFFECT OF REPORT ON WAIVER.—If the President makes a report under paragraph (1) with respect to a waiver of sanctions on a person described in section 5(c), sanctions need not be imposed under section 5(a) or (b) on that person during the 30-day period referred to in paragraph (1).**]**

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SEC. 14. DEFINITIONS.

As used in this Act:

(1) * * *

* * * * *

(13) PERSON.—The term “person” means—

(A) a natural person;

[(B) a corporation, business association, partnership, society, trust, any other nongovernmental entity, organization, or group, and any governmental entity operating as a business enterprise; and**]**

- (B)(i) a corporation, business association, partnership, society, trust, financial institution, insurer, underwriter, guarantor, and any other business organization;
- (ii) any foreign subsidiary of any entity described in clause (i); and
- (iii) any government entity operating as a business enterprise, such as an export credit agency; and

* * * * *

(14) PETROLEUM RESOURCES.—The term “petroleum resources” includes petroleum, *petroleum refining capacity, liquefied natural gas, the sale of oil tankers or liquefied natural gas tankers*, and natural gas resources.

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TITLE 31, UNITED STATES CODE

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Subtitle I—General

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CHAPTER 3—DEPARTMENT OF THE TREASURY

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SUBCHAPTER I—ORGANIZATION

* * * * *

§ 310. Financial Crimes Enforcement Network

(a) * * *

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(d) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated for FinCEN [such sums as may be necessary for fiscal years 2002, 2003, 2004, and 2005] *\$85,844,000 for fiscal year 2008 and such sums as may be necessary for each of the fiscal years 2009 and 2010.*

* * * * *

SECTION 167 OF THE INTERNAL REVENUE CODE OF 1986

SEC. 167. DEPRECIATION.

(a) * * *

* * * * *

(h) AMORTIZATION OF GEOLOGICAL AND GEOPHYSICAL EXPENDITURES.—

(1) * * *

* * * * *

(6) DENIAL WHEN IRAN SANCTIONS IN EFFECT.—

(A) *IN GENERAL.*—If sanctions are imposed under section 5(a) of the Iran Sanctions Act of 1996 (relating to sanctions with respect to the development of petroleum resources of Iran) on any member of an expanded affiliated group the common parent of which is a foreign corporation, paragraph (1) shall not apply to any expense paid or incurred by any such member in any period during which the sanctions are in effect.

(B) *EXPANDED AFFILIATED GROUP.*—For purposes of subparagraph (A), the term “expanded affiliated group” means an affiliated group as defined in section 1504(a), determined—

- (i) by substituting “more than 50 percent” for “at least 80 percent” each place it appears, and
- (ii) without regard to paragraphs (2), (3), and (4) of section 1504(b).

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