



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 21, 2013

S. 559 **Justice for Former American Hostages in Iran Act of 2013**

*As reported by the Senate Committee on Foreign Relations
on September 12, 2013*

SUMMARY

S. 559 would establish a fund within the Department of the Treasury to make specified payments to Americans held hostage in Iran between November 3, 1979, and January 20, 1981, or to the estates of former hostages who are no longer living. The fund would be financed by a surcharge of 30 percent levied on certain monetary penalties assessed for undertaking prohibited activity with Iran.

CBO estimates that enacting S. 559 would increase net revenues by \$77 million over the 2014-2023 period and would increase direct spending by \$102 million over the 2014-2023 period; therefore, pay-as-you-go procedures apply. CBO estimates that implementing the bill would have discretionary costs of less than \$500,000 over the 2014-2018 period, assuming the availability of appropriated funds.

S. 559 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 559 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	*	2	4	6	9	13	15	18	20	20	21	107
Estimated Outlays	*	1	4	5	8	12	15	17	19	20	19	102
CHANGES IN REVENUES												
Estimated Revenues	*	1	2	3	6	9	11	14	15	16	12	77
NET INCREASE IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND RECEIPTS												
Impact on Deficit	*	*	2	2	2	3	4	4	4	4	7	26

Notes: Components may not sum to totals because of rounding.

* = less than \$500,000.

BASIS OF ESTIMATE

S. 559 would establish a fund to make payments to Americans held hostage in Iran between November 3, 1979, and January 20, 1981, or to the estates of former hostages who are no longer living. The fund would be financed by a surcharge on certain monetary penalties assessed for undertaking prohibited activity with Iran. CBO estimates that enacting S. 559 would increase net revenues by \$77 million over the 2014-2023 period and increase direct spending by \$102 million over the 2014-2023 period. CBO therefore estimates that this legislation would increase budget deficits by \$26 million over that period. The additional spending is based on the gross revenues deposited into the fund from the 30 percent surcharge; CBO expects that the net increase in revenues would be less than the additional spending. For this estimate, CBO assumes that S. 559 will be enacted late in 2013.

S. 559 would impose a 30 percent surcharge on fines or monetary penalties paid by private companies or individuals to any federal agency for violating any law or regulation regarding economic activity with Iran that is administered by the Departments of Treasury, Justice, or Commerce. The surcharge would apply only to violations occurring on or after the date the legislation is enacted and would end when all specified payments to former hostages have been made.

CBO estimates that enacting S. 559 would increase federal revenues, on net, by \$12 million over the 2014-2018 period and by \$77 million over the 2014-2023 period. That estimate primarily reflects two partially offsetting effects: increases in revenues from the 30 percent surcharge, which would be deposited directly into the fund that is set up to make payments to the former hostages, and reductions in revenues paid to federal agencies from the pre-existing fines and monetary penalties. CBO expects that those reductions would occur for several reasons that stem from the higher cost of violations under the bill. First, the overall penalties paid, including the surcharge, would likely be less than 30 percent higher than the amount that would have been paid under current law. Final financial settlements for sanctions violations are typically negotiated between the violator and the federal and state government regulators. The dynamics of litigating and settling the cases make it unlikely that the ultimate amount paid to the government for violations would be a full 30 percent higher than current amounts. In addition, CBO expects that the higher potential penalty amounts (as a result of the 30 percent surcharge) would reduce the number and severity of violations, and reduce firms' willingness to self-report violations, resulting in lower penalty revenues on amounts assessed before the surcharge is calculated.

Between 2014 and 2023, CBO expects that \$107 million, raised from the surcharge, would be deposited into the fund to pay former hostages, but that revenues from the current penalties would be about \$30 million lower than they would have been had S. 559 not been enacted. On net, CBO expects that the bill would raise revenues by \$77 million between 2014 and 2023.

Surcharges collected under the bill would be deposited into a new fund to be administered by the Department of State and would be made available for payments to former hostages or their estates. Amounts deposited into the fund would be less than \$500,000 in 2014 and grow over time to \$20 million in 2023, CBO estimates. Historically, penalties for violations are typically finalized and paid three to 10 years after the violations occur, and the surcharge would apply only to violations occurring on or after the date of enactment. The department would be authorized to accept contributions from private entities, and any such contributions would be deposited into the fund and available for payments. The department has indicated that information about the former hostages is readily available and payments could begin in 2014. CBO estimates that such payments would be less than \$500,000 in 2014 but grow to \$20 million by 2023.

In total, CBO estimates that implementing the bill would increase direct spending by \$102 million over the 2014-2023 period. CBO estimates that the amounts deposited into and paid out of the fund through 2023 would not be sufficient to make all of the required payments to former hostages. As a result the surcharge and payments would continue for some time beyond 2023.

Based on information from the department, CBO estimates that the administrative costs for implementing the payments would be minimal, and that implementing the bill would have discretionary costs of less than \$500,000 over the 2014-2018 period, assuming the availability of appropriated funds.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 559 as reported by the Senate Committee on Foreign Relations on September 12, 2013

	By Fiscal Year, in Millions of Dollars											2014-	2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2018	2023	
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	2	2	2	3	4	4	4	4	7	26	
Memorandum:													
Changes in Outlays	0	1	4	5	8	12	15	17	19	20	19	102	
Changes in Revenues	0	1	2	3	6	9	11	14	15	16	12	77	

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 559 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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