

111TH CONGRESS  
1ST SESSION

# H. R. 485

To strengthen existing legislation sanctioning persons aiding and facilitating nonproliferation activities by the Governments of Iran, North Korea, and Syria, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 13, 2009

Ms. ROS-LEHTINEN introduced the following bill; which was referred to the Committee on Foreign Affairs, and in addition to the Committees on Ways and Means, the Judiciary, Oversight and Government Reform, and Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To strengthen existing legislation sanctioning persons aiding and facilitating nonproliferation activities by the Governments of Iran, North Korea, and Syria, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Security through Termination Of Proliferation Act of  
6 2009” or the “STOP Act of 2009”.

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

Sec. 1. Short title; Table of contents.

TITLE I—CODIFICATION OF SANCTIONS AGAINST IRAN, NORTH  
 KOREA, AND SYRIA

Sec. 101. Codification of sanctions against Iran.

Sec. 102. Codification of sanctions against North Korea.

Sec. 103. Codification of sanctions against Syria.

TITLE II—AMENDMENTS TO THE IRAN, NORTH KOREA, AND  
 SYRIA NONPROLIFERATION ACT

Sec. 201. Transshipment of certain goods, services, or technology.

Sec. 202. Restrictions on nuclear cooperation.

Sec. 203. Exclusion of senior officials.

TITLE III—AMENDMENTS TO THE IRAN SANCTIONS ACT OF 1996  
 AND RELATED PROVISIONS

Sec. 301. Exclusion from the United States of senior officials of foreign persons  
 who have aided proliferation relating to Iran.

Sec. 302. Denial of tax benefits for taxpayers engaged in business activity with  
 Iran prohibited by United States law.

Sec. 303. Income tax of foreign corporations engaged in business activity with  
 Iran prohibited by United States law.

Sec. 304. Compensation for Former United States Hostages in Iran Fund.

TITLE IV—DEFINITIONS

Sec. 401. Definitions.

3 **TITLE I—CODIFICATION OF**  
 4 **SANCTIONS AGAINST IRAN,**  
 5 **NORTH KOREA, AND SYRIA**

6 **SEC. 101. CODIFICATION OF SANCTIONS AGAINST IRAN.**

7 United States sanctions, controls, and regulations  
 8 with respect to Iran imposed pursuant to Executive Order  
 9 No. 12957, sections 1(b) through (1)(g) and sections (2)  
 10 through (6) of Executive Order No. 12959, and sections  
 11 2 and 3 of Executive Order No. 13059 (relating to exports  
 12 and certain other transactions with Iran) as in effect on

1 January 1, 2006, shall remain in effect until the President  
2 certifies to the appropriate congressional committees that  
3 the Government of Iran has verifiably dismantled its  
4 weapons of mass destruction programs.

5 **SEC. 102. CODIFICATION OF SANCTIONS AGAINST NORTH**  
6 **KOREA.**

7 United States sanctions, controls, and regulations  
8 with respect to North Korea imposed by reason of a deter-  
9 mination of the Secretary of State that the Government  
10 of North Korea, for purposes of section 6(j) of the Export  
11 Administration Act of 1979 (as continued in effect pursu-  
12 ant to the International Emergency Economic Powers  
13 Act), section 40 of the Arms Export Control Act, section  
14 620A of the Foreign Assistance Act of 1961, or other pro-  
15 vision of law, is a government that has repeatedly provided  
16 support for acts of international terrorism, shall remain  
17 in effect and may not be lifted pursuant to such provisions  
18 of law until the President certifies to appropriate congres-  
19 sional committees that the Government of North Korea  
20 has verifiably dismantled its weapons of mass destruction  
21 programs.

22 **SEC. 103. CODIFICATION OF SANCTIONS AGAINST SYRIA.**

23 Restrictions against the Government of Syria, and on  
24 persons by reason of their direction of, or contribution to,  
25 activities of the Government of Syria, that were imposed

1 pursuant to the International Emergency Economic Pow-  
2 ers Act, the Syria Accountability and Lebanese Sov-  
3 ereignty Act of 2003, the Iran, North Korea, and Syria  
4 Nonproliferation Act, or any similar provision of law, as  
5 in effect on the date of the enactment of this Act, includ-  
6 ing the restrictions imposed under Executive Order 12938  
7 (as amended by Executive Order 13094), Executive Order  
8 13338, Executive Order 13399, Executive Order 13460,  
9 and any similar Executive Order, shall remain in effect  
10 and may not be lifted pursuant to such provisions of law  
11 until the President certifies to the appropriate congres-  
12 sional committees that the Government of Syria has  
13 verifiably dismantled its weapons of mass destruction pro-  
14 grams.

15 **TITLE II—AMENDMENTS TO THE**  
16 **IRAN, NORTH KOREA, AND**  
17 **SYRIA NONPROLIFERATION**  
18 **ACT**

19 **SEC. 201. TRANSSHIPMENT OF CERTAIN GOODS, SERVICES,**  
20 **OR TECHNOLOGY.**

21 The Iran, North Korea, and Syria Nonproliferation  
22 Act (Public Law 106–178; 50 U.S.C. 1701 note) is  
23 amended—

24 (1) in section 2—

1 (A) in subsection (a), in the matter pre-  
2 ceding paragraph (1)—

3 (i) by striking “or” after “Syria”; and

4 (ii) by inserting after “North Korea”

5 the following: “, on or after January 1,

6 1999, permitted, hosted or otherwise facili-

7 tated a transshipment (as such term is de-

8 fined in section 5) that may have enabled

9 a foreign person to transfer (as such term

10 is defined in section 7) to or acquire from

11 Iran, on or after January 1, 2005, per-

12 mitted, hosted or otherwise facilitated a

13 transshipment that may have enabled a

14 foreign person to transfer to or acquire

15 from Syria, or on or after January 1,

16 2006, permitted, hosted or otherwise facili-

17 tated a transshipment that may have en-

18 abled a person to transfer to or acquire

19 from North Korea”; and

20 (B) in subsection (e), by inserting “, or

21 whose transfer via transshipment was per-

22 mitted, hosted or facilitated,” after “trans-

23 ferred”; and

24 (2) in section 5—

25 (A) in subsection (a)—

1 (i) in paragraph (1), by inserting “, or  
2 did not permit, host, or otherwise facilitate  
3 transshipment (as such term is defined in  
4 section 5) that may have enabled a foreign  
5 person to transfer to or acquire from,” be-  
6 fore “Iran”;

7 (ii) in paragraph (3), by striking “or”  
8 at the end;

9 (iii) in paragraph (4), by striking the  
10 period at the end and inserting “; or”; and

11 (iv) by adding at the end the following  
12 new paragraph:

13 “(5) in the case of a foreign person who per-  
14 mitted, hosted or otherwise facilitated transshipment  
15 that may have enabled a foreign person to transfer  
16 to or acquire from, Iran, North Korea, or Syria, as  
17 the case may be, the goods, services, or technology  
18 the apparent transfer of which caused that person to  
19 be identified in a report submitted pursuant to sec-  
20 tion 2(a), the government with primary jurisdiction  
21 over the foreign person has made and continues to  
22 make clear, specific efforts to stop and deter the  
23 permitting, hosting, or other facilitating of trans-  
24 shipments that may enable such transfers or acquisi-  
25 tions.”; and

1 (B) by adding at the end the following new  
2 subsection:

3 “(d) DEFINITIONS.—In this section:

4 “(1) GOODS, SERVICES, OR TECHNOLOGY.—The  
5 term ‘goods, services, or technology’ includes—

6 “(A) any defense articles or defense serv-  
7 ices on the United States Munitions List under  
8 section 38 of the Arms Export Control Act (22  
9 U.S.C. 2778) for which special export controls  
10 are warranted under such Act (22 U.S.C. 2751  
11 et seq.);

12 “(B) any item identified on the Commerce  
13 Control List maintained under part 774 of title  
14 15, Code of Federal Regulations; and

15 “(C) other sensitive United States goods,  
16 including intellectual property and services that  
17 would contribute to the abilities of Iran, North  
18 Korea, and Syria to further their conventional  
19 and unconventional military capabilities.

20 “(2) TRANSSHIPMENT.—In this section, the  
21 term ‘transshipment’ means the export from one  
22 country to another that passes through a third coun-  
23 try, in which cargo is off-loaded and there is some  
24 change to conveyance.”.

1 **SEC. 202. RESTRICTIONS ON NUCLEAR COOPERATION.**

2 The Iran, North Korea, and Syria Nonproliferation  
3 Act is further amended—

4 (1) by redesignating section 7 as section 9; and

5 (2) by inserting after section 6 the following  
6 new section:

7 **“SEC. 7. RESTRICTIONS ON NUCLEAR COOPERATION WITH**  
8 **COUNTRIES AIDING PROLIFERATION BY**  
9 **IRAN, NORTH KOREA, OR SYRIA.**

10 “(a) IN GENERAL.—

11 “(1) RESTRICTIONS.—Notwithstanding any  
12 other provision of law—

13 “(A) no agreement for cooperation between  
14 the United States and the government of any  
15 country that is assisting the nuclear program of  
16 Iran, North Korea, or Syria, or transferring ad-  
17 vanced conventional weapons or missiles to  
18 Iran, North Korea, or Syria may be submitted  
19 to the President or to Congress pursuant to  
20 section 123 of the Atomic Energy Act of 1954  
21 (42 U.S.C. 2153);

22 “(B) no such agreement may enter into  
23 force with such country;

24 “(C) no license may be issued for export  
25 directly or indirectly to such country of any nu-  
26 clear material, facilities, components, or other



1 goods, services, or technology that would be  
2 subject to such agreement; and

3 “(D) no approval may be given for the  
4 transfer or retransfer directly or indirectly to  
5 such country of any nuclear material, facilities,  
6 components, or other goods, services, or tech-  
7 nology that would be subject to such agreement,  
8 until the President makes the determination  
9 and report under paragraph (2).

10 “(2) DETERMINATION AND REPORT.—The de-  
11 termination and report referred to in paragraph  
12 (1)(D) are a determination and report by the Presi-  
13 dent, submitted to the Committee on Foreign Affairs  
14 of the House of Representatives and the Committee  
15 on Foreign Relations of the Senate, that—

16 “(A) Iran, North Korea, or Syria, as the  
17 case may, has ceased its efforts to design, de-  
18 velop, or acquire a nuclear explosive device or  
19 related materials or technology; or

20 “(B) the government of the country that is  
21 assisting the nuclear programs of Iran, North  
22 Korea, or Syria, as the case may be, or trans-  
23 ferring advanced conventional weapons or mis-  
24 siles to Iran, North Korea, or Syria, as the case  
25 may be—

1           “(i) has suspended all nuclear assist-  
2           ance to Iran, North Korea, or Syria, as the  
3           case may be, and all transfers of advanced  
4           conventional weapons and missiles to Iran,  
5           North Korea, or Syria, as the case may be;  
6           and

7           “(ii) is committed to maintaining that  
8           suspension until Iran, North Korea, or  
9           Syria, as the case may be, has imple-  
10          mented measures that would permit the  
11          President to make the determination de-  
12          scribed in subparagraph (A).

13          “(b) RULES OF CONSTRUCTION.—The restrictions  
14          described in subsection (a)(1)—

15                 “(1) shall apply in addition to all other applica-  
16                 ble procedures, requirements, and restrictions de-  
17                 scribed in the Atomic Energy Act of 1954 and other  
18                 applicable Acts; and

19                 “(2) shall not be construed as affecting the va-  
20                 lidity of an agreement for cooperation between the  
21                 United States and the government of a country that  
22                 is in effect on the date of the enactment of this Act.

23          “(c) DEFINITIONS.—In this section:

24                 “(1) AGREEMENT FOR COOPERATION.—The  
25                 term ‘agreement for cooperation’ has the meaning

1 given that term in section 11 b. of the Atomic En-  
2 ergy Act of 1954 (42 U.S.C. 2014 b.).

3 “(2) ASSISTING THE NUCLEAR PROGRAM OF  
4 IRAN, NORTH KOREA, OR SYRIA.—The term ‘assist-  
5 ing the nuclear program of Iran, North Korea, or  
6 Syria’ means the intentional transfer to Iran, North  
7 Korea, or Syria by a government, or by a person  
8 subject to the jurisdiction of a government with the  
9 knowledge and acquiescence of that government, of  
10 goods, services, or technology listed on the Nuclear  
11 Suppliers Group Guidelines for the Export of Nu-  
12 clear Material, Equipment and Technology (pub-  
13 lished by the International Atomic Energy Agency as  
14 Information Circular INFCIRC/254/Rev. 3/Part 1,  
15 and subsequent revisions), or the Nuclear Suppliers  
16 Group Guidelines for Transfers of Nuclear-Related  
17 Dual-Use Equipment, Material, and Related Tech-  
18 nology (published by the International Atomic En-  
19 ergy Agency as Information Circular INFCIR/254/  
20 Rev. 3/Part 2, and subsequent revisions).

21 “(3) COUNTRY THAT IS ASSISTING THE NU-  
22 CLEAR PROGRAMS OF IRAN, NORTH KOREA, OR  
23 SYRIA OR TRANSFERRING ADVANCED CONVENTIONAL  
24 WEAPONS OR MISSILES TO IRAN, NORTH KOREA, OR  
25 SYRIA.—The term ‘country that is assisting the nu-

1 clear program of Iran, North Korea, or Syria or  
2 transferring advanced conventional weapons or mis-  
3 siles to Iran, North Korea, or Syria’ means—

4 “(A) the Russian Federation; and

5 “(B) any other country determined by the  
6 President to be assisting the nuclear program  
7 of Iran, North Korea, or Syria or transferring  
8 advanced conventional weapons or missiles to  
9 Iran, North Korea, or Syria.

10 “(4) TRANSFER.—The term ‘transfer’ means  
11 the conveyance of technological or intellectual prop-  
12 erty, or the conversion of intellectual or technological  
13 advances into marketable goods, services, or articles  
14 of value, developed and generated in one place, to  
15 another through illegal or illicit means to a country,  
16 the government of which the Secretary of State has  
17 determined, for purposes of section 6(j)(1)(A) of the  
18 Export Administration Act of 1979 (as in effect pur-  
19 suant to the International Emergency Economic  
20 Powers Act; 50 U.S.C. 1701 et seq.), section 40(d)  
21 of the Arms Export Control Act (22 U.S.C.  
22 2780(d)), and section 620A of the Foreign Assist-  
23 ance Act of 1961 (22 U.S.C. 2371), is a government  
24 that has repeatedly provided support for acts of  
25 international terrorism.

1           “(5) TRANSFERRING ADVANCED CONVEN-  
2           TIONAL WEAPONS OR MISSILES TO IRAN, NORTH  
3           KOREA, OR SYRIA.—The term ‘transferring advanced  
4           conventional weapons or missiles to Iran, North  
5           Korea, or Syria’ means the intentional transfer to  
6           Iran, North Korea, or Syria by a government, or by  
7           a person subject to the jurisdiction of a government  
8           with the knowledge and acquiescence of that govern-  
9           ment, of goods, services, or technology listed on—

10                   “(A) the Wassenaar Arrangement list of  
11           Dual Use Goods and Technologies and Muni-  
12           tions list of July 12, 1996, and subsequent revi-  
13           sions; or

14                   “(B) the Missile Technology Control Re-  
15           gime Equipment and Technology Annex of  
16           June 11, 1996, and subsequent revisions.

17           “(d) EFFECTIVE DATE.—The amendment made by  
18           subsection (a) shall apply to expenses paid or incurred on  
19           or after January 1, 2009.”.

20   **SEC. 203. EXCLUSION OF SENIOR OFFICIALS.**

21           The Iran, North Korea, and Syria Nonproliferation  
22           Act is further amended by inserting after section 7, as  
23           added by section 202 of this Act, the following new sec-  
24           tion:

1   **“SEC. 8. EXCLUSION FROM THE UNITED STATES OF SENIOR**  
 2                   **OFFICIALS OF FOREIGN PERSONS WHO HAVE**  
 3                   **AIDED PROLIFERATION RELATING TO IRAN,**  
 4                   **NORTH KOREA, OR SYRIA.**

5       “(a) **GROUNDS FOR EXCLUSION.**—Except as pro-  
 6       vided in subsection (b), the Secretary of State shall deny  
 7       a visa to, and the Secretary of Homeland Security shall  
 8       exclude from the United States, any alien whom the Sec-  
 9       retary of State determines is an alien who, on or after  
 10      the date of the enactment of this Act is a—

11                      “(1) corporate officer, principal, or shareholder  
 12      with a controlling interest of a foreign person identi-  
 13      fied in a report submitted pursuant to section 2(a);

14                      “(2) corporate officer, principal, or shareholder  
 15      with a controlling interest of a successor entity to,  
 16      or a parent or subsidiary of, a foreign person identi-  
 17      fied in such a report;

18                      “(3) corporate officer, principal, or shareholder  
 19      with a controlling interest of an affiliate of a foreign  
 20      person identified in such a report, if such affiliate  
 21      engaged in the activities referred to in such report,  
 22      and if such affiliate is controlled in fact by the for-  
 23      eign person identified in such report;

24                      “(4) spouse, minor child, or agent of a person  
 25      excludable under paragraph (1), (2), or (3);

1           “(5) senior official of a foreign government  
2 identified in such a report;

3           “(6) senior official of a foreign government with  
4 primary jurisdiction over a foreign person identified  
5 in such a report; or

6           “(7) spouse, minor child, or agent of a person  
7 excludable under paragraph (5) or (6).

8           “(b) EXCEPTION.—The President may waive the  
9 sanctions described in subsection (a) with respect to a per-  
10 son specified in paragraph (5), (6), or (7) if the President  
11 determines and certifies in writing to the Committee on  
12 Foreign Affairs and the Committee on Appropriations of  
13 the House of Representatives and the Committee on For-  
14 eign Relations and the Committee on Appropriations of  
15 the Senate, on a case by case basis, that the foreign gov-  
16 ernment with primary jurisdiction over such person has  
17 made and continues to make clear, specific efforts to stop  
18 and deter the transfer (as such term is defined in section  
19 7) or retransfer of, or the permitting, hosting, or other  
20 facilitating of transshipments (as such term is defined in  
21 section 5) that may enable the transfer or retransfer of,  
22 goods or technology that contribute to the efforts by Iran,  
23 North Korea, or Syria, as the case may be, to acquire or  
24 develop advanced conventional weapons, or to acquire, de-

1 velop, produce, or stockpile biological, chemical, radio-  
 2 logical, or nuclear weapons or long-range ballistic missiles.

3 “(c) **ADVANCED CONVENTIONAL WEAPONS DE-**  
 4 **FINED.**—In this section, the term ‘advanced conventional  
 5 weapons’ means goods, services, or technology listed on—

6 “(1) the Wassenaar Arrangement list of Dual  
 7 Use Goods and Technologies and Munitions list of  
 8 July 12, 1996, and subsequent revisions; or

9 “(2) the Missile Technology Control Regime  
 10 Equipment and Technology Annex of June 11,  
 11 1996, and subsequent revisions.”.

12 **TITLE III—AMENDMENTS TO**  
 13 **THE IRAN SANCTIONS ACT OF**  
 14 **1996 AND RELATED PROVI-**  
 15 **SIONS**

16 **SEC. 301. EXCLUSION FROM THE UNITED STATES OF SEN-**  
 17 **IOR OFFICIALS OF FOREIGN PERSONS WHO**  
 18 **HAVE AIDED PROLIFERATION RELATING TO**  
 19 **IRAN.**

20 The Iran Sanctions Act of 1996 (Public Law 104–  
 21 172; 50 U.S.C. 1701 note) is amended—

22 (1) in section 5(b), in the matter preceding  
 23 paragraph (1), by inserting “, or permitted, hosted,  
 24 or otherwise facilitated transshipment that may have  
 25 enabled a person to export, transfer, or otherwise



1 provide to Iran,” after “or otherwise provided to  
2 Iran”;

3 (2) by redesignating sections (7) through (14)  
4 as sections (8) through (15), respectively; and

5 (3) by inserting after section (6) the following  
6 new section:

7 **“SEC. 7. EXCLUSION FROM THE UNITED STATES OF SENIOR**  
8 **OFFICIALS OF FOREIGN PERSONS WHO HAVE**  
9 **AIDED PROLIFERATION RELATING TO IRAN.**

10 “(a) GROUND FOR EXCLUSION.—Except as pro-  
11 vided in subsection (b), the Secretary of State shall deny  
12 a visa to, and the Secretary of State shall exclude from  
13 the United States, any alien whom the Secretary of State  
14 determines is an alien who, on or after the date of the  
15 enactment of this Act is a—

16 “(1) corporate officer, principal, or shareholder  
17 with a controlling interest of a person against whom  
18 sanctions have been imposed pursuant to section 5;

19 “(2) corporate officer, principal, or shareholder  
20 with a controlling interest of a successor entity to or  
21 a parent or subsidiary of such a person;

22 “(3) corporate officer, principal, or shareholder  
23 with a controlling interest of an affiliate of such a  
24 sanctioned person, if such affiliate engaged in a  
25 sanctionable activity described in subsection (a) or

1 (b) of section 5, and if such affiliate is controlled in  
2 fact by such a person;

3 “(4) spouse, minor child, or agent of a person  
4 excludable under paragraph (1), (2), or (3);

5 “(5) senior official of a foreign government that  
6 is identified as a person against whom sanctions  
7 have been imposed pursuant to section 5;

8 “(6) senior official of a foreign government with  
9 primary jurisdiction over such a person; or

10 “(7) spouse, minor child, or agent of a person  
11 excludable under paragraph (5) or (6).

12 “(b) EXCEPTION.—The President may waive the  
13 sanctions described in subsection (a) with respect to a per-  
14 son specified in paragraph (5), (6), or (7) if the President  
15 determines and certifies in writing to the appropriate con-  
16 gressional committees, on a case by case basis, that the  
17 foreign government with primary jurisdiction over such a  
18 person against whom sanctions have been imposed pursu-  
19 ant to section 5 has made and continues to make clear,  
20 specific efforts to stop and deter a sanctionable activity  
21 described in subsection (a) or (b) of section 5.”; and

22 (4) in section 15, as redesignated pursuant to  
23 paragraph (2) of this section—

1 (A) by redesignating paragraphs (15) and  
2 (16) as paragraphs (17) and (18), respectively;  
3 and

4 (B) by inserting after paragraph (14) the  
5 following new paragraphs:

6 “(15) TRANSFER.—The term ‘transfer’ means  
7 the conveyance of technological or intellectual prop-  
8 erty, or the conversion of intellectual or technological  
9 advances into marketable goods, services, or articles  
10 of value, developed and generated in one place, to  
11 another through illegal or illicit means to a country,  
12 the government of which the Secretary of State has  
13 determined, for purposes of section 6(j)(1)(A) of the  
14 Export Administration Act of 1979 (as in effect pur-  
15 suant to the International Emergency Economic  
16 Powers Act; 50 U.S.C. 1701 et seq.), section 40(d)  
17 of the Arms Export Control Act (22 U.S.C.  
18 2780(d)), and section 620A of the Foreign Assist-  
19 ance Act of 1961 (22 U.S.C. 2371), is a government  
20 that has repeatedly provided support for acts of  
21 international terrorism.

22 “(16) TRANSSHIPMENT.—The term ‘trans-  
23 shipment’ means the export from one country to an-  
24 other that passes through a third country, in which

1 cargo is off-loaded and there is some change to con-  
2 veyance.”.

3 **SEC. 302. DENIAL OF TAX BENEFITS FOR TAXPAYERS EN-**  
4 **GAGED IN BUSINESS ACTIVITY WITH IRAN**  
5 **PROHIBITED BY UNITED STATES LAW.**

6 (a) IN GENERAL.—Section 901 of the Internal Rev-  
7 enue Code of 1986 (relating to taxes of foreign countries  
8 and of possessions of United States) is amended by redesh-  
9 ignating subsection (m) as subsection (n) and by inserting  
10 after subsection (l) the following new subsection:

11 “(m) TAXPAYERS ENGAGED IN BUSINESS ACTIVITY  
12 WITH IRAN PROHIBITED BY UNITED STATES LAW.—

13 “(1) IN GENERAL.—Notwithstanding any other  
14 provision of this part, in the case of a taxpayer  
15 which is a member of an expanded affiliated group  
16 any member of which, on any day during the taxable  
17 year, engaged in business activity with Iran which is  
18 prohibited by United States law, no credit shall be  
19 allowed under subsection (a) to the taxpayer for any  
20 income, war profits, or excess profits taxes paid or  
21 accrued (or deemed paid under section 902 or 960)  
22 to any country if such taxes are with respect to in-  
23 come attributable to a period any part of which oc-  
24 curs during such taxable year.

1           “(2) BUSINESS ACTIVITY.—For purposes of  
2 paragraph (1)—

3           “(A) IN GENERAL.—The term ‘business  
4 activity’ means any of the following:

5           “(i) An entity described in subpara-  
6 graph (D) that—

7           “(I) has in effect a contract that  
8 includes the responsibility for the de-  
9 velopment of petroleum resources, pe-  
10 troleum refining capacity, or liquefied  
11 natural gas located in Iran or (as the  
12 case may be), or

13           “(II) has in effect a contract pro-  
14 viding for the general supervision and  
15 guarantee of another person’s per-  
16 formance of a contract described in  
17 subclause (I).

18           “(ii) The purchase of a share of own-  
19 ership, including an equity interest, in the  
20 development described in clause (i).

21           “(iii) Having in effect a contract pro-  
22 viding for the participation in royalties,  
23 earnings, or profits in the development de-  
24 scribed in clause (i), without regard to the  
25 form of the participation.

1           “(B) GOODS, SERVICES, AND TECH-  
2           NOLOGY.—The term ‘business activity’ includes  
3           the entry into, performance, or financing of a  
4           contract to sell or purchase goods, services, or  
5           technology.

6           “(C) SPECIAL RULE.—For purposes of this  
7           paragraph, an amendment or other modification  
8           that is made, on or the date of the enactment  
9           of this subsection to an agreement or contract  
10          shall be treated as the entry of an agreement  
11          or contract.

12          “(D) ENTITIES DESCRIBED.—For pur-  
13          poses of subparagraph (A), an entity described  
14          in this subparagraph is—

15                 “(i) a natural person,

16                 “(ii) a corporation, business associa-  
17                 tion, partnership, society, trust, financial  
18                 institution, insurer, underwriter, guar-  
19                 antor, and any other business organization,

20                 “(iii) any foreign subsidiary of any en-  
21                 tity described in clause (ii),

22                 “(iv) any governmental entity oper-  
23                 ating as a business enterprise, such as an  
24                 export credit agency, and

1                   “(v) any successor to any entity de-  
2                   scribed in clause (ii), (iii), or (iv).

3                   “(3) TAXES ALLOWED AS A DEDUCTION, ETC.—  
4                   Sections 275 and 78 shall not apply to any tax  
5                   which is not allowable as a credit under subsection  
6                   (a) by reason of this subsection.

7                   “(4) EXPANDED AFFILIATED GROUP.—For pur-  
8                   poses of paragraph (1), the term ‘expanded affiliated  
9                   group’ means an affiliated group (as defined in sub-  
10                  section (a) of section 1504 (without regard to sub-  
11                  sections (b)(2), (b)(4), and (c) thereof)); except that  
12                  section 1504(a) shall be applied by substituting  
13                  ‘more than 50 percent’ for ‘at least 80 percent’ each  
14                  place it appears.

15                  “(5) REGULATIONS.—The Secretary shall pre-  
16                  scribe such regulations as may be necessary or ap-  
17                  propriate to carry out the purposes of this sub-  
18                  section, including regulations which impose appro-  
19                  priate reporting requirements.”.

20                  (b) INCOME INCLUDED AS SUBPART F INCOME.—  
21                  Subsection (a) of section 952 is amended by striking  
22                  “and” at the end of paragraph (4), by striking the period  
23                  at the end of paragraph (5) and inserting “, and”, and  
24                  by inserting after paragraph (5) the following new para-  
25                  graph:

1           “(6) all income of such corporation derived  
2           from all foreign countries during any period during  
3           which section 901(m) applies to such corporation.”.

4           (c) REPORTING.—

5           (1) IN GENERAL.—Part II of subchapter B of  
6           chapter 68 of the Internal Revenue Code of 1986  
7           (relating to failure to comply with certain informa-  
8           tion reporting requirements) is amended by adding  
9           at the end the following new section:

10       **“SEC. 6726. FAILURE TO REPORT INFORMATION UNDER**  
11                               **SECTION 901(m).**

12           “(a) IN GENERAL.—In the case of each failure de-  
13           scribed in subsection (c) by any person, such person shall  
14           pay a penalty of \$100,000 for each day in the noncompli-  
15           ance period with respect to which the failure relates.

16           “(b) NONCOMPLIANCE PERIOD.—For purposes of  
17           this section, the term ‘noncompliance period’ means, with  
18           respect to any failure, the period—

19                       “(1) beginning on the date such failure first oc-  
20                       curs; and

21                       “(2) ending on the date such failure is cor-  
22                       rected.

23           “(c) FAILURES SUBJECT TO PENALTY.—For pur-  
24           poses of subsection (a), the failure described in this sub-  
25           section is a failure to comply with any requirement con-



1 tained in the regulations prescribed under section  
2 901(m).”.

3 (2) CLERICAL AMENDMENT.—The table of sec-  
4 tions for part II of subchapter B of chapter 68 of  
5 such Code is amended by adding at the end the fol-  
6 lowing new item:

“Sec. 6726. Failure to report information under section 901(m).”.

7 (d) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 the date of the enactment of this Act.

10 **SEC. 303. INCOME TAX OF FOREIGN CORPORATIONS EN-**  
11 **GAGED IN BUSINESS ACTIVITY WITH IRAN**  
12 **PROHIBITED BY UNITED STATES LAW.**

13 (a) IN GENERAL.—Subpart B of part II of sub-  
14 chapter N of chapter 1 of the Internal Revenue Code of  
15 1986 (relating to foreign corporations) is amended by in-  
16 serting after section 884 the following new section:

17 **“SEC. 884A. INCOME TAX OF FOREIGN CORPORATIONS EN-**  
18 **GAGED IN BUSINESS ACTIVITY WITH IRAN**  
19 **PROHIBITED BY UNITED STATES LAW.**

20 “In the case of a foreign corporation which is en-  
21 gaged in business activity with Iran prohibited by United  
22 States law—

23 “(1) in respect of tax on income—

24 “(A) section 881(a) shall be applied by  
25 substituting ‘45 percent’ for ‘30 percent’;

1 “(B) subsections (b), (c), (d), and (e) of  
2 section 881 shall not apply;

3 “(C) tax imposed pursuant to section 882  
4 shall be imposed at a rate of 45 percent;

5 “(D) section 883 shall not apply; and

6 “(E) section 884(a) shall be applied by  
7 substituting ‘45 percent’ for ‘30 percent’; and  
8 “(2) in respect of withholding—

9 “(A) section 1442(a) shall be applied by  
10 substituting ‘45 percent’ for ‘30 percent’; and

11 “(B) section 1442(c) shall not apply.”.

12 (b) CLERICAL AMENDMENT.—The table of sections  
13 for subpart B of part II of subchapter N of chapter 1  
14 of such Code is amended by inserting after the item relat-  
15 ing to section 884 the following new item:

“Sec. 884A. Income tax of foreign corporations engaged in business activity  
with Iran prohibited by United States law.”.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to taxable years beginning after  
18 the date of the enactment of this Act.

19 **SEC. 304. COMPENSATION FOR FORMER UNITED STATES**  
20 **HOSTAGES IN IRAN FUND.**

21 (a) CREATION OF FUND.—There is established a  
22 fund to be known as the “Compensation for Former  
23 United States Hostages in Iran Fund” (in this section re-  
24 ferred to as the “Fund”), consisting of such amounts as

1 may be appropriated to the Fund as provided by this sec-  
2 tion.

3 (b) TRANSFERS TO FUND.—There are hereby appro-  
4 priated to the Fund amounts equivalent to the taxes re-  
5 ceived in the Treasury by reason of the amendments made  
6 by sections 302 and 303 of this Act.

7 (c) EXPENDITURES FROM FUND.—Amounts in the  
8 Fund shall be available, as provided by appropriation Acts,  
9 for making expenditures to pay claims to the United  
10 States citizens held hostage in Iran, and to members of  
11 the families of such United States citizens, who are identi-  
12 fied as plaintiffs or class members in Case Number  
13 1:00CV03110 (EGS) or Case Number 1:00CV00716  
14 (HHK) in the United States District Court for the Dis-  
15 trict of Columbia.

## 16 **TITLE IV—DEFINITIONS**

### 17 **SEC. 401. DEFINITIONS.**

18 In this Act:

19 (1) APPROPRIATE CONGRESSIONAL COMMIT-  
20 TEES.—The term “appropriate congressional com-  
21 mittees” means—

22 (A) the Committee on Foreign Affairs and  
23 the Committee on Appropriations of the House  
24 of Representatives; and

1 (B) the Committee on Foreign Relations  
2 and the Committee on Appropriations of the  
3 Senate.

4 (2) GOVERNMENT OF SYRIA.—The term “Gov-  
5 ernment of Syria” includes any agency or instru-  
6 mentality of the Government of Syria, including any  
7 entity that is controlled by the Government of Syria.

8 (3) GOVERNMENT OF IRAN.—The term “Gov-  
9 ernment of Iran” includes any agency or instrumen-  
10 tality of the Government of Iran, including any enti-  
11 ty that is controlled by the Government of Iran.

12 (4) GOVERNMENT OF NORTH KOREA.—The  
13 term “Government of North Korea” includes any  
14 agency or instrumentality of the Government of  
15 North Korea, including any entity that is controlled  
16 by the Government of North Korea.

17 (5) WEAPONS OF MASS DESTRUCTION PRO-  
18 GRAMS.—The term “weapons of mass destruction  
19 programs” means—

20 (A) and chemical weapons, biological weap-  
21 ons, radiological or nuclear procurement and  
22 development programs and efforts;

23 (B) ballistic missile procurement and devel-  
24 opment programs and efforts; and

1           (C) other actions in violation of the  
2           Waasenaar Arrangement on Export Controls  
3           for Conventional Arms and Dual-Use Goods  
4           and Technologies, the Missile Technology Con-  
5           trol Regime, the Australia Group, the Nuclear  
6           Suppliers' Group, the Zangger Committee, and  
7           any other international agreement or arrange-  
8           ment to which the United States is a party that  
9           restricts the export of chemical, biological, nu-  
10          clear, and other weapons and their delivery sys-  
11          tems, and effectively restricts the export of dual  
12          use components of such weapons and their de-  
13          livery systems.

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