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JANICE MAYS,
MINORITY CHIEF COUNSEL

September 22, 2015

The Honorable Barack H. Obama
President of the United States
The White House
1600 Pennsylvania Ave. NW
Washington, DC 20500

Dear Mr. President,

Your administration recently entered into a Joint Comprehensive Plan of Action (JCPOA), which dismantles the U.S. and multilateral sanctions framework against Iran in the hopes of discouraging its nuclear program. I write to inquire whether you also intend to waive tax code provisions directed at illicit Iranian behavior, including its support for terrorism.

As you know, the United States maintains a complex, overlapping set of primary and secondary sanctions against Iran for its nuclear proliferation, support for terrorism, and human rights abuses. The State Department has designated Iran a state sponsor of terrorism since 1984. But under the JCPOA, I understand that you plan to waive many key U.S. sanctions, even delisting entities that your administration has acknowledged support terrorism. This policy will almost immediately provide Iran access to, at a minimum, \$100 billion to \$150 billion of previously frozen funds, not to mention hundreds of billions of dollars of increased investment and trade flows. These funds will give Iran significantly more resources to increase its support of terrorism and further destabilize an already volatile region. Your policy raises serious questions about whether you intend to keep in place tax rules that discourage conducting business with Iran.

Under current law, U.S. companies and individuals located or doing business in Iran and certain other countries face punitive taxes under U.S. law. These rules apply to a country if: (1) the Secretary of State has designated the country as one that repeatedly provides support for acts of international terrorism; (2) the United States has severed or does not conduct diplomatic relations with the country; or (3) the United States does not recognize the country's government, and that government is not otherwise eligible to purchase defense articles or services under the Arms Export Control Act. The punitive tax consequences are that: (1) taxpayers are denied foreign tax credits for taxes paid to such countries; and (2) U.S. shareholders are taxed immediately on any income earned in such countries by controlled foreign corporations (i.e., foreign subsidiaries). Under section 901(j)(5) of the Internal Revenue Code ("Code"), the President may waive both

provisions if the President deems such waiver “is in the national interest and will expand trade and investment opportunities for United States companies in such countries.” The President must report any such waiver to Congress 30 days in advance.

In light of the JCPOA and the statutory framework, has the administration made any direct or indirect commitment or promise of any kind, whether or not in writing, that you will exercise your waiver authority under Code section 901(j)(5) with respect to Iran? Furthermore, will you commit not to exercise the waiver authority under Code section 901(j)(5) with respect to Iran during the remainder of your term in office?

These sanctions have significantly weakened Iran’s economy. But the JCPOA now provides Iran a roadmap to a full-scale nuclear weapons program combined with advanced missile systems that can deliver those weapons. The agreement also gives Iran free rein to increase its support for terrorism. The JCPOA weakens our allies in the Middle East, strengthens our enemies, and endangers America. The idea that a nuclear Iran can be deterred is unrealistic. Instead of opening pathways for Iran’s nuclear and terrorist agenda, your administration should work with Congress to strengthen sanctions regimes until Iran changes its behavior.

Sincerely,

A handwritten signature in blue ink, appearing to read "P. Ryan", with a long horizontal flourish extending to the right.

PAUL D. RYAN
Chairman