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Direct & Indirect Taxpayer Costs of the Iran War

The unauthorized war in Iran is already costing taxpayers tens of billions of dollars, and the total financial burden will continue to grow long after the fighting ends. These costs include both the direct costs of the war and a range of indirect costs. While not comprehensive, this issue brief offers an overview of some of these costs.

Direct Costs

In the second week of the Iran war, the Pentagon told lawmakers in a classified briefing that the first six days of the war cost roughly \$11.3 billion, an average of \$1.88 billion per day.¹ That estimate reportedly included the costs of offensive and defensive munitions, along with some operational costs. It did not include the cost of repositioning forces in the region or replacing and repairing damaged equipment and facilities.

More recently, at a House Armed Services Committee budget hearing on April 29, Secretary of Defense Pete Hegseth estimated the cost of the war up to that point at \$25 billion.² In the wake of that estimate, *CBS* reported that Pentagon officials familiar with internal assessments put the total cost closer to \$50 billion.³ In a House Appropriations Committee hearing on May 12, when asked about the latest cost estimate for the war, acting Pentagon Comptroller Jules Hurst said that “now we think it’s closer to 29 [billion dollars].” But when pressed, he acknowledged that there were still major unknowns. Regarding aircraft, he explained that “we want to do a full diagnosis of the aircraft before we estimate that cost,” and regarding military construction costs for damaged bases, “we have a lot of unknowns there.”

Independent analyses offer additional, though still incomplete, estimates. An analysis from the Center for Strategic & International Studies (CSIS) estimated that the first 12 days of war cost \$16.5 billion, including some estimates for destroyed equipment and infrastructure based on available data.⁴ An American Enterprise Institute analysis estimated that rebuilding damaged bases in the region would cost at least \$5 billion.⁵ A more

¹ Edmondson, Catie. “Pentagon Tells Congress First Week of Iran War Cost More Than \$11.3 Billion.” *The New York Times*. March 11, 2026. <https://www.nytimes.com/2026/03/11/world/middleeast/iran-war-costs-pentagon.html>

² “Full Committee Hearing: Department of Defense FY27 Budget Request.” *House Armed Services Committee*. April 29, 2026. <https://armedservices.house.gov/calendar/eventsingle.aspx?EventID=6546>

³ Watson, Eleanor, Olivia Gazis, and Kathryn Watson. “Iran war’s true cost closer to \$50 billion, not \$25 billion, U.S. officials say.” *CBS News*. April 30, 2026. <https://www.cbsnews.com/news/iran-war-cost-closer-50-billion-us-officials/>

⁴ Cancian, Mark, and Chris Park. “Iran War Cost Estimate Update: \$11.3 Billion at Day 6, \$16.5 Billion at Day 12.” *Center for Strategic and International Studies*. March 13, 2026. <https://www.csis.org/analysis/iran-war-cost-estimate-update-113-billion-day-6-165-billion-day-12>

⁵ Eaglen, Mackenzie, and Eliza Fox. “Estimating Wartime Damage to US Military Bases in the Middle East as Part of Operation Epic Fury.” *American Enterprise Institute*. April 28, 2026. <https://www.aei.org/foreign-and-defense-policy/estimating-wartime-damage-to-us-military-bases-in-the-middle-east-as-part-of-operation-epic-fury/>

comprehensive analysis published in *Popular Information* estimated the total cost of the war through the first 60 days at \$71.8 billion.⁶ That estimate included \$15.8 billion for operations, \$41.2 billion in munitions, \$11.9 billion in damaged or destroyed military assets, and \$2.9 billion in subsidies for the Israeli military.

Importantly, all these estimates rely, to varying degrees, on information provided by Pentagon sources, yet the Pentagon has still not released a formal and comprehensive cost assessment to lawmakers or the public, suggesting the true cost may be even higher. Reports that the Pentagon is seeking supplemental war funding ranging from \$50 billion to \$200 billion have also fueled concerns that the administration may be preparing for a protracted war.⁷

Indirect costs of the war are mounting as well. Some can be estimated. Others may not become clear for years. But all represent actual or likely taxpayer liabilities tied to the Iran War, and most will grow the longer the conflict continues.

Cost of Federal Government Fuel Consumption

Due to the de facto closure of the Strait of Hormuz, along with attacks on oil infrastructure throughout the region, oil prices have risen sharply since the start of the war. Current cost estimates generally have not accounted for the impact of rising oil prices on the federal government's fuel costs, including the military's operational and infrastructural fuel consumption.

To insulate the military services from swings in the cost of fuel, the Pentagon maintains the Defense Working Capital Fund (DWCF), which sets a standard fuel price at the start of each fiscal year based on an 18-month projection of expected fuel prices. When market prices are higher than the standard price, the DWCF loses money. According to the Defense Logistics Agency (DLA), "in rare instances the standard price is changed during the fiscal year so the fund remains solvent."⁸ In April, the DWCF raised the composite standard fuel price from [\\$154](#) to [\\$195](#) per barrel, a 27 percent increase.⁹ While this system may temporarily shield agency balance sheets from fuel-price spikes, taxpayers still ultimately bear the cost.

⁶ Semler, Stephen. "The real cost of the Iran War: \$72 billion for the first 60 days." *Popular Information*. May 6, 2026. <https://popular.info/p/the-real-cost-of-the-iran-war-72>

⁷ Insinna, Valerie, and Ashley Roque. "Iran supplemental to fund mix of 'new things' and legacy systems: Pentagon comptroller." *Breaking Defense*. March 12, 2026. <https://breakingdefense.com/2026/03/iran-supplemental-to-fund-mix-of-new-things-and-legacy-systems-pentagon-comptroller/>; Robertson, Noah, Jeff Stein, and Riley Beggin. "Pentagon seeks more than \$200 billion in budget request for Iran war." *The Washington Post*. March 18, 2026. <https://www.washingtonpost.com/national-security/2026/03/18/iran-cost-budget-pentagon/>

⁸ "Background on Standard Prices." *Defense Logistics Agency*. <https://www.dla.mil/Energy/Business/Standard-Prices/>

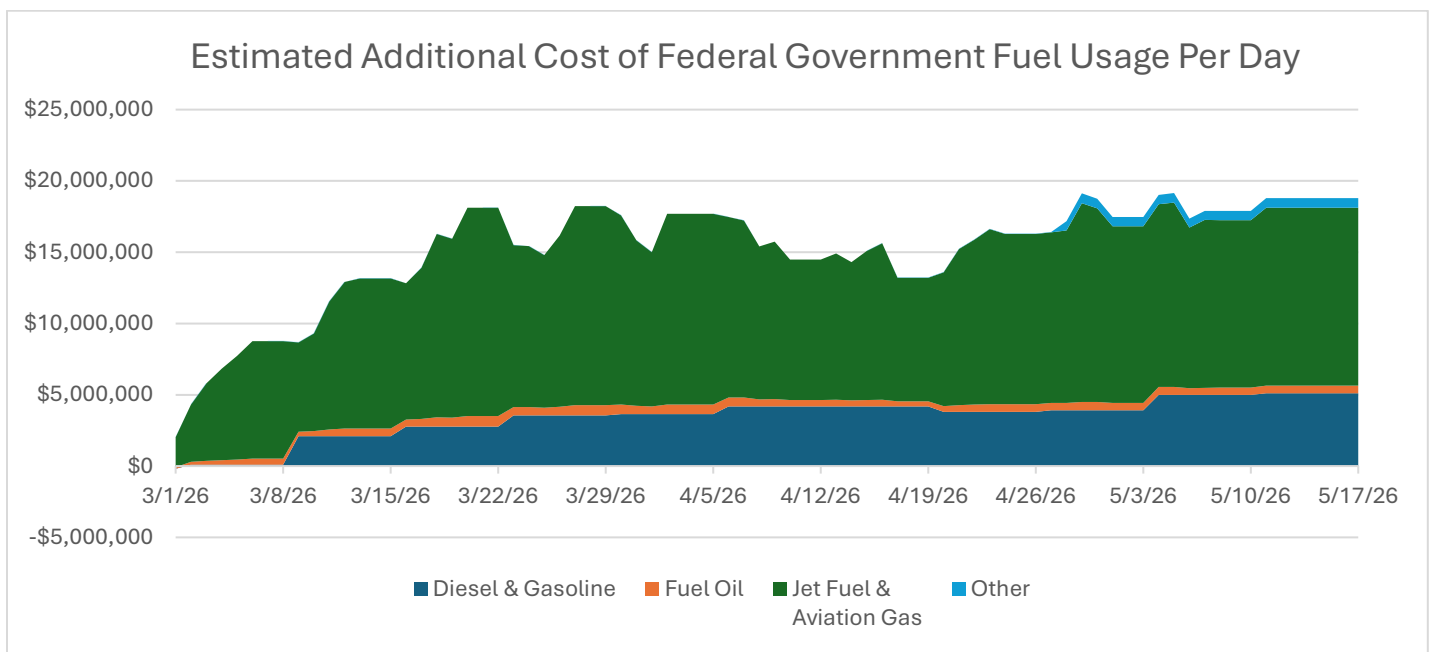
⁹ "Standard Fuel Price for Fiscal Year 2026." *Office of the Undersecretary of War*. Sep. 25, 2025. https://www.dla.mil/Portals/104/Documents/Energy/Standard%20Prices/Petroleum%20Prices/E_2025Oct1PetroleumStandardPrices_251023_1.pdf

; "Fiscal Year 2026 Standard Fuel Price Change." *Office of the Undersecretary of War*. Apr. 1, 2026.

https://www.dla.mil/Portals/104/Documents/Energy/Standard%20Prices/Petroleum%20Prices/E_2026Apr1PetroleumStandardPrices_260401.pdf

To illustrate the impact of higher fuel prices on federal taxpayers, TCS estimated the increased cost of federal fuel consumption using federal fuel usage data and spot prices for various petroleum products. Spot prices are typically lower than the standard prices provided by DLA because standard prices also reflect transportation, storage, and management costs associated with maintaining the federal fuel system and war reserve stocks.

According to the Bureau of Transportation Statistics (BTS), the federal government consumed 474.1 trillion BTUs (British Thermal Units) of petroleum fuel products in 2024, the most recent year for which data is available.¹⁰ By assuming that, were it not for the Iran War, petroleum fuel prices would have remained consistent with their average levels over the 365 days preceding the war, and that federal fuel consumption remains consistent with 2024 levels, we can estimate the additional taxpayer cost of the federal government’s fuel consumption attributable to the war.¹¹



TCS calculation based on daily and weekly spot prices of petroleum-based fuels reported by Energy Information Agency (EIA) as of May 18, 2026.

From the start of the war through May 17, 2026, a 78-day period, we estimate that the total additional cost to taxpayers from federal petroleum fuel consumption was at least \$1.19 billion. This estimate is likely conservative for several reasons. First, the military accounts for the overwhelming majority of federal petroleum fuel consumption. In 2024, it represented 87 percent of federal petroleum fuel usage, and military fuel consumption tends to rise significantly during major operations. Second, these estimates do not include the

¹⁰ "U.S. Government Energy Consumption by Agency and Source." *Bureau of Transportation Statistics*. Accessed on May 18, 2026. <https://www.bts.gov/content/us-government-energy-consumption-agency-and-source>

¹¹ We calculated the combined additional cost of petroleum fuel products due to the war based on BTS data on federal government fuel usage by type of petroleum product, including diesel & gasoline, fuel oil, jet fuel & aviation gas, and other products. We then assessed the increased cost for each of those fuel types compared to the average price of those products over the 365 days prior to the war.

increased costs of transporting fuel into an active war zone. Importantly, these increased costs do not include increased fuel costs for the public, which the Costs of War Project estimates to be over \$40 billion.¹²

For as long as the war continues, and potentially long after it ends, petroleum prices may remain elevated and continue increasing.

Cost of Increased Debt

The Iran War will lead to additional federal borrowing and higher interest payments on that debt. The federal government is already projected to run a \$1.853 trillion deficit in fiscal year 2026. Increased spending associated with the Iran War, whether direct or indirect, will almost certainly be financed through additional borrowing.

Using the Congressional Budget Office's (CBO) current interest rate projection of 3.4 percent, every additional dollar of accumulated debt would lead to an additional 3.4 cents per year in interest payments through 2027 (after which CBO projects interest rates will grow for several years before leveling out at 3.9 percent starting in 2032).¹³ Based on the Pentagon's incomplete estimate of \$29 billion in direct war costs, taxpayers could pay an additional \$986 million in interest over the next year alone. Based on the more comprehensive \$71.8 billion estimate covering the first 60 days of the war, taxpayers could pay an additional \$2.4 billion in interest over the next year. If the war concludes soon and we conservatively assume that these estimates represent an approximate range of the total direct costs, taxpayers will face an estimated \$10.9 billion to \$26.9 billion in additional interest payments over the next decade, based on CBO's projected interest rates.

The war also threatens to increase interest rates more broadly, potentially raising borrowing costs across the economy, including for mortgages, auto loans, business lending, and credit cards. As the war is still ongoing, these pressures could significantly increase the long-term taxpayer costs associated with the conflict.

Additional Costs

There are numerous additional taxpayer costs associated with the war that involve too many variables and unknowns to accurately estimate, but which could become substantial over time. The following examples likely represent only a portion of the war's total indirect costs.

Following attacks on U.S. military installations in the Middle East, widespread reporting suggests the U.S. has been paying to accommodate military personnel in hotels and office spaces.¹⁴ Given varying rates for these accommodations, limited data on the number of troops involved, and uncertainty surrounding the duration of

¹² "Research Brief: The U.S. Energy Cost of the Iran War." *Climate Solutions Lab and Costs of War, The Watson School of International and Public Affairs, Brown University*. May 18, 2026.

https://costsofwar.watson.brown.edu/sites/default/files/Iran_War_Energy_Cost.pdf

¹³ "10-Year Budget Projections, Feb 2026." *Congressional Budget Office*. Accessed on May 18, 2026.

<https://www.cbo.gov/data/budget-economic-data#3>

¹⁴ Cooper, Helen, and Eric Schmitt. "Iran's Attacks Force U.S. Troops to Work Remotely." *The New York Times*. March 25, 2026. <https://www.nytimes.com/2026/03/25/us/politics/iran-us-bases.html>

the conflict, these costs are difficult to estimate. Still, with roughly 50,000 U.S. troops in the region and multiple damaged facilities, the costs are likely significant.

Covering the healthcare costs of veterans is a moral obligation. Linda Bilmes, a public policy professor and former assistant secretary and chief financial officer at the Department of Commerce, recently estimated that at least one-third of servicemembers involved in the war may ultimately claim veterans benefits tied to exposure to “toxins, contamination, acid rain, dust from infrastructure destruction, and burning oil fumes.”¹⁵ She explained that “if veterans claim benefits at the rate of the extremely short 1990 Gulf War — 37 percent of whom receive compensation today — this alone would add around \$600 billion in costs over their lifetimes.”¹⁶ While the Iran War may ultimately produce lower exposure rates, particularly if no ground invasion occurs, the long-term healthcare and disability costs could still be substantial. In addition to exposure to hazardous materials, hundreds of troops have been injured during the war, which will lead to further costs.

We also know there are significant costs associated with the increase in harmful emissions caused by war. Increased fuel consumption, munitions use, destruction of property including oil and gas infrastructure and products, and the fuel-intensive process of rebuilding in the aftermath of war all carry a heavy toll on our natural resources and climate. Beyond their immediate environmental impacts, these emissions contribute to growing long-term taxpayer liabilities tied to increasingly frequent and severe disasters associated with climate change.¹⁷

At this stage, it is too early to determine the full inflationary impact of the war, but early indications suggest it could be significant.¹⁸ Higher oil and gas prices increase costs across freight, manufacturing, agriculture, aviation, and electricity markets, meaning sustained energy shocks can ripple throughout the broader economy. Similarly, disruptions to global shipping and fertilizer markets could substantially increase agricultural and grocery costs.

Conclusion

Taxpayer costs associated with the Iran War are already significant and continue to grow. While estimates of direct costs vary widely depending on the timeline and categories of spending included, the most comprehensive public analysis estimated costs over the first 60 days at \$71.8 billion.

Indirect costs are also mounting. We conservatively estimate that taxpayers have already incurred at least \$955 million in additional fuel-consumption costs tied to the war, costs that may continue even after the conflict

¹⁵ Turse, Nick. “Trump’s War on Iran Could Cost Trillions.” *The Intercept*. March 17, 2026.

<https://theintercept.com/2026/03/17/trump-iran-war-cost/>

¹⁶ Ibid.

¹⁷ “Paying the Price.” *Taxpayers for Common Sense*. June 7, 2023. <https://www.taxpayer.net/disaster/paying-the-price/>

¹⁸ Wiseman, Paul. “The Iran war is hitting home as gasoline prices fuel inflation surge of 3.8% in the US.” *Associated Press*.

May 12, 2026. <https://apnews.com/article/us-inflation-consumer-iran-war-3f11b7fdd20ea56d2f0895e5241af7b6>

; Kilian, Lutz, Michael Plante, Alexander Richter, and Xiaoqing Zhou. “Quantifying the impact of the Iran war on US inflation.” *The Center for Economic Policy Research*. May 4, 2026. <https://cepr.org/voxeu/columns/quantifying-impact-iran-war-us-inflation>

ends. We also estimate taxpayers could face between \$986 million and \$2.4 billion in additional interest costs over the next year due to debt-financed war spending, and between \$10.9 billion to \$26.9 billion in additional interest payments over the next decade.

Additional costs that remain difficult to quantify include housing displaced servicemembers, long-term veterans benefits, increased climate-related liabilities, and broader inflationary pressures. As the conflict continues, the eventual taxpayer burden is likely to grow far beyond current estimates.