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LADB Staff

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Arizona Proposes Resolution Urging U.S. Congress to Tax Remittances

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Mexican authorities are concerned about a proposal in Arizona urging the US Congress to impose a tax on remittances sent by expatriates back to Mexico and other foreign countries. Senate Memorial 1007, approved in the Arizona Senate in late March, reflects the opinion of the legislators but does not carry the weight of law. The resolution, which was pending consideration by the Arizona House of Representatives, proposes that the federal government collect the tax on wire transfers and then distribute the money to states.

The remittances are seen by legislators in cash-strapped states as a way to cover the cost of state services to immigrants. Mexicans sent almost US$13.3 billion to relatives back home in 2003, with the total expected to increase to US$15 billion this year. The Arizona Senate measure was introduced by state Sen. Pete Rios, a Democrat who has in the past championed the rights of undocumented immigrants.

Rios said the state would use the money to pay health care coverage for immigrants and the prison costs for thousands of Mexicans housed in Arizona jails. "My real belief is that immigrants pay more into the economy than they take, but it is very difficult to verify that," Rios said. "This proposal is a real solution."

The Arizona Senate resolution, however, raised concerns among Mexican officials. The Secretaria de Relaciones Exteriores (SRE) said the resolution sets back the progress made by the US and Mexican governments in 2002 to push for lower costs of wire transfers (see SourceMex, 2002-06-05). "The measure runs counter to the spirit and purpose of conventions created by the US and Mexican governments to promote prosperity," said the SRE. "It is also incompatible with practices in other countries."

Taxing remittances also surfaced at a parliamentary forum involving legislators from Mexico and the European Union (EU) in Mexico City at the end of March. Mexican and EU legislators signed a formal declaration opposing the Arizona resolution. "Remittances contribute significant financial resources to the families of emigrants," said deputy interior secretary Geronimo Gutierrez, who attended the parliamentary meeting.

The Inter-American Development Bank (IDB) has also joined the opposition to any efforts to tax remittances. In a statement issued at a summit in Lima at the end of March, the IDB urged Mexico and other Latin American countries to protect remittances because they contribute to the fight against poverty. "We purposely issued this recommendation because there are governments that want to impose a tax on remittances because this could become a significant source of revenues," said Donald Terry, director of the IDB's Multilateral Investment Fund.

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The SRE has sought to counter the Arizona resolution by conducting a joint study with Thunderbird Graduate School of International Management on the impact of Mexican immigrants on the state's economy. The study estimated the positive economic impact of Mexican immigrants at US$3.9 billion. Furthermore, Mexican immigrants paid about US$356 million in local and state taxes in 2001, compared with the US$250 million Arizona spent directly to support the immigrants, the study said.

Some Mexican states are also concerned about the possibility that the Arizona resolution could gain acceptance in other US states, thus providing impetus for the US Congress to consider the plan seriously. "I will be watching developments [on this proposal] very closely," said Guanajuato Gov. Carlos Romero Hicks, a member of Fox's center-right Partido Acción Nacional (PAN). Romero Hicks said Mexican states rely on the remittances to promote economic development. "They represent the second-largest source of income after oil exports," he said. "Therefore, the type of measure being discussed in Arizona would have repercussions for our local economy."

**New version of Proposition 187 surfaces in California**

The proposal to tax remittances is one of many possible actions affecting Mexican immigrants under scrutiny by Mexican authorities. Another matter of concern is the effort in California to resurrect the failed Proposition 187, which sought to restrict access for undocumented immigrants to education, health care, and other state services in the early to mid-1990s (see SourceMex, 1994-11-02).

Proposition 187, strongly endorsed by former Republican Gov. Pete Wilson, was approved by California voters but was later ruled illegal by federal courts. The effort to push the plan was discarded entirely during the administration of former Democratic Gov. Gray Davis. The election of Republican Gov. Arnold Schwarzenegger to replace the deposed Davis has emboldened Proposition 187 supporters to bring back the proposal. Immigrant-rights activists in California worked against Schwarzenegger's election because he gave money to promote Proposition 187 in 1994 (see SourceMex, 2003-08-27).

Supporters of the plan to resurrect Proposition 187 are organized through a group called Save Our State (SOS), which has also supported efforts in California to prevent undocumented immigrants from obtaining a drivers license. SOS has launched a petition drive to place the "New Proposition 187" on the California ballot in November. As of March 25, the organization had obtained 400,000 of the 598,000 signatures required by an April 15 deadline to place the measure on the ballot. Ron Prince, who authored the new version of Proposition 187, says the measure has been worded in such a way that it cannot be struck down by the courts.

The initiative proposes a state constitutional amendment to exclude illegal immigrants from most public benefits such as prenatal care and other public health services. Undocumented immigrants would also be barred from obtaining identification cards or drivers licenses. Unlike the earlier version, however, the immigrants would be allowed access to public education and emergency medical services.

Critics say the measure has little chance of success because of opposition from a wide spectrum of California voters, including many Republican lawmakers. "We don’t need propositions that would divide this state at this time. That's not the business we're in," said California Republican
Assemblymember Abel Maldonado, who was also an adviser to Schwarzenegger. Some critics say the measure could also face opposition because it would be an unfunded mandate.

A recent report from the California Legislative Analyst's Office said local governments could end up spending tens of millions of dollars to verify citizenship or immigration status, although costs would be recovered to some extent by the elimination of services such as health care to undocumented immigrants.

**Immigration accord unlikely this year**

While undocumented immigrants in the US continue to encounter new obstacles at the state level, they are also facing the possibility that the immigration-reform plan drafted by US President George W. Bush will not become a reality this year. Bush's plan, offered in January of this year, would allow several million undocumented workers to apply for temporary legal status in the US (see SourceMex, 2004-01-14)

Some US senators who are leading the effort to put Bush's proposal into a legislative initiative have accused the president of backing off from his own proposal. "I've been around long enough to know when an administration wants something and when they're just being lukewarm," said Sen. Christopher Dodd (D-CT). "I'm being polite calling this lukewarm. I don't get any sense of movement at all."

Sen. Chuck Hagel (R-NE), who has joined Dodd in efforts to push through an immigration-reform agreement, said the plan cannot move forward without Bush's leadership. "Immigration reform is going to require the president's leadership," Hagel said after a hearing in Washington. Dodd and Hagel are urging Bush to propose a more specific plan beyond the principles he outlined in January. "[Bush's plan] only takes us about 5% of the way," said Hagel.

Sen. John McCain (R-AZ), another advocate of immigration reform, said the move toward immigration reform is being blocked by ultraconservative legislators, most of whom are in the House of Representatives. "The extremes are driving this debate," McCain told the Senate Foreign Relations Committee. "It's apparent to me that the Congress is not going to act this year on the immigration issue."

Still, Sen. Larry Craig (R-ID) believes that an immigration-reform plan could easily pass in the Senate. Craig says that immigration reform is supported by at least 55 of the 100 members of the Senate. "If we gain the support of the president...this legislative initiative could be approved in the Senate in two hours," said Sen. Edward Kennedy (D-MA), another proponent of immigration reform.

The Mexican government, meanwhile, has resigned itself to the probability that no immigration-reform will be approved in 2004. "We understand clearly that we are in an election year," President Fox told The New York Times. "We do not expect any kind of final decision this year. But starting next year, yes, after the election of the next president."

Proponents of an immigration accord said the Bush plan would help reduce the number of deaths among migrants who attempt to cross into the US through the deserts of Arizona and southeast California. The SRE estimates that
409 Mexicans died attempting to cross into the US in 2003, most of them in the Arizona desert. (Sources: San Jose Mercury News, 12/03/03; Contra Costa Times, 12/21/03; North County Times (California), 02/28/04; The New York Times, 03/04/04; The Arizona Republic, Los Angeles Times, 03/24/04; Notimex, 03/24/04, 03/25/04; El Sol de Mexico, 03/25/04; El Independiente, La Cronica de Hoy, 03/29/04; Spanish news service EFE, 03/25/04, 03/30/04; The Herald-Mexico City, 03/30/04; La Jornada, 03/25/04, 03/31/04; Milenio Diario, 03/31/04)

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