

3-8-2006

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## **Mexico Criticizes Proposals in Arizona, Georgia to Tax Remittances**

*by LADB Staff*

*Category/Department: Mexico*

*Published: 2006-03-08*

The state legislatures of Arizona and Georgia have proposed imposing a tax on remittances sent overseas, prompting strong protests from the Mexican government. Mexican expatriates are projected to send about US\$21.5 billion this year, up from US\$20 billion in 2005, the Instituto Mexicano de Ejecutivos de Finanzas (IMEF) said in a recent report.

### ***Arizona tax would fund reinforced wall***

Arizona has proposed using the revenues from the remittances in part to construct a reinforced 576-km wall along its border with Sonora and Baja California states.

The Arizona initiative, HR2037, was introduced by Republicans in the state House appropriations committee. The measure would impose an 8% tax on any individual money transfers to overseas locations.

Proponents did not say how the effort to construct the wall in Arizona would be coordinated with a federal proposal to expand an existing fence along the US-Mexico border. The federal plan was included in the immigration-reform bill approved by the US House of Representatives in January (see SourceMex, 2006-01-11).

In the US Senate, the Judiciary Committee has begun debate on various immigration-reform proposals. Senate Majority Leader Bill Frist (R-TN) has said he wants the measure to reach the full Senate by the end of March.

The Arizona measure still faces debate in the full state House and Senate. HR2037 is one of several punitive immigration-reform proposals under consideration in the state. The lower house has also passed an initiative to increase the number of National Guard patrols near the border with Mexico.

Additionally, the Arizona House has proposed a plan to allow state authorities to keep fingerprints, DNA, and other records from immigrants on file. The Mexican government and the state of Arizona have been at odds regarding immigration policy in recent years. This policy includes Proposition 200, a referendum approved by Arizona voters to prevent state employees from providing services to undocumented residents (see SourceMex, 2004-11-17 and 2005-01-12).

### ***Georgia tax would fund indigent health care, education***

In Georgia, the state house has approved an initiative to impose a 5% remittance tax on any individual wiring money out of the country who cannot prove he or she is legally in the country. The chief sponsor, Republican state Rep. Tom Rice, said his measure, entitled the Illegal Immigrant Fee Act, would help fund indigent health care and education. "All it says is: If you are here illegally, and

you seek to transfer money out of the country by wire, you will be asked to pay," Rice said. "We're not going to send you to jail, get the immigration bus after you."

During debate in the Georgia House, bill proponents argued that the plan offered a way for undocumented immigrants to pay for some of the costs they impose on the state's health care system. "Now for the first time these people will have an opportunity to partially pay for these services," said Republican state Rep. Calvin Hill. "This has nothing to do with being against immigrants."

Critics argue that the initiative may be illegal. "You can't ask a segment of society to act as a collection agency for the state," Democratic state Sen. Sam Zamarripa told the Atlanta Journal-Constitution. Zamarripa chairs the Georgia Association of Latino Elected Officials. Mexican officials and immigrant-rights advocates criticized the Arizona and Georgia measures as unfair and unnecessary. "Mexican expatriates already pay taxes in the US, which are withheld from their paychecks," said Lauro Lopez Sanchez, deputy secretary for population, migration, and religious affairs at the Secretaria de Gobernacion (SEGOB), in reference to the Arizona initiative. "The plan is unjust and will not succeed."

### *Precedent a major concern*

Others raised concerns that the measures under consideration in Arizona and Georgia could set a precedent for other states. "Unfortunately this is a trend," said Candido Morales, director of the Instituto de los Mexicanos en el Exterior (IME). Finance Secretary Francisco Gil Diaz said President Vicente Fox's administration was monitoring the situation very closely and could file a formal protest through the Secretaria de Relaciones Exteriores (SRE).

Gil also suggested that imposing taxes on remittances would only lead immigrants to find other ways to send money to Mexico and other countries. "What people would do would be to find another mechanism," said Gil. The alternative mechanisms, however, could increase the costs to send remittances. By fostering competition among commercial banks, wire-transfer companies, and other providers, the Mexican government has helped reduce commissions significantly. For example, expatriates now pay an average commission of US\$10 to send US\$300 to Mexico, compared with US\$28 in 1999 to send the same amount. "By promoting increased competition and consolidating the mechanisms to send funds, we have reduced the costs of sending money by two-thirds," said Gil Diaz.

### *Mexico creates remittances index*

The Mexican government this year introduced a new index for Mexican expatriates to compare costs of sending money back home. The index, called the Calculadora de Envio de Dinero, was developed by the government's financial-services consumer-protection agency (Comision Nacional para la Proteccion y Defensa de los Usuarios de los Servicios Financieros, CONDUSEF). The index compares the costs of all major wire-transfer companies and banks, taking into account all the services they provide. "The objective is to give the users the necessary elements to compare the available services and products, allowing them to make the choice most suitable for their needs," said CONDUSEF president Oscar Levin Coppel.

Some financial analysts expect the amount of remittances sent back to Mexico to grow at a slower rate or even decline in future years. In a recent report, the Centro de Estudios Economicos del Sector Privado (CEESP) said many Mexicans who work in the US and Canada are opting to bring in their families, which greatly reduces the need to send money back home. This could be reflected in total remittances going to Mexico in future years, the CEESP said.

### *Canada attracts increasing number of Mexican immigrants*

The US remains the preferred destination for most Mexican undocumented workers, whose numbers have reached about 6.2 million, said the Pew Hispanic Center. An increasing number of Mexicans, however, are viewing Canada as an option. In many cases, Mexicans, who do not need a visa to travel to Canada, enter the country and then apply for refugee status. In a report released in mid-February, Canada's Immigration and Refugee Board said 3,541 Mexicans applied for refugee status in Canada in 2005, the most from any country.

This was the first year in which petitions from Mexicans surpassed those from citizens of China, Colombia, Sri Lanka, and India, which had in the past accounted for most of the requests for refugee status. The Canadian government accepted only 19% of the petitions filed by Mexicans seeking refugee status, compared with 46% overall. In some cases, Mexican immigrants are using Canada as a steppingstone into the US. In other cases, they stay in Canada working in the agriculture and service industries.

The growth in the Mexican population in Canada prompted Mexico's second-largest network, TV Azteca, to apply for a permit to broadcast in Canada. The permit, approved in mid-February, will allow TV Azteca to begin its Canadian transmissions in April. "There are a half-million inhabitants in Canada whose primary language is Spanish," said Marcel Vinay, director of international sales at TV Azteca. Vinay noted that this population is growing at an annual rate of 3%. (Sources: The Phoenix Business Journal, 02/08/06; The Toronto Sun, 02/13/06; The Herald-Mexico City, The Atlanta Journal-Constitution, 02/14/06; La Crisis, El Financiero, 02/17/06; El Diario de Mexico, 02/18/06; The Arizona Republic, 02/19/06, Reforma, 03/01/06, Reuters, 03/02/06; Los Angeles Times, 03/05/06; La Cronica de Hoy, 02/17/06, 03/03/06, 03/06/06; Associated Press, 02/13/06, 02/16/06, 03/04/06, 03/07/06; La Jornada, 02/23/06, 03/01/06, 03/07/06, 03/08/06)

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