

## *The Wall Street Journal*

### **Review and Outlook**

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### **The Grassley Visa Tax**

Congress has failed to pass immigration reform, so industries that depend on foreign workers have already been left in the lurch. But Senator Chuck Grassley now wants to make things worse.

Last week Mr. Grassley, the Iowa Republican, slipped an amendment into a spending bill that would tax businesses that hire skilled immigrants an additional \$3,500 per visa to a total of \$5,000 each. **According to the National Foundation for American Policy, this represents a \$3.1 billion tax increase over five years on some of America's fastest growing companies.**

Companies employing foreign professionals who are here on H-1B visas already pay \$1,500 per individual. The fee was originally set at \$500 in 1998, but at least past increases have also included a rise in the number of available visas. When Mr. Grassley floated this tax back in April, it would have been part of a Senate bill that lifted the H-1B visa cap by 50,000 and put in place an escalator provision that allowed market demand to determine future increases.

But the Grassley Tax proposed last week includes no such trade-off, leaving the H-1B visa cap of 65,000 per year intact. The need to increase this arbitrary quota, if not eliminate it, is clear. This year, the U.S. Citizenship and Immigration Services received approximately 120,000 applications for H-1Bs on the first day they were available.

In addition to the hiring fee, current law already requires H-1B professionals to be paid the higher of the prevailing wage or actual wage paid to Americans in similar positions. So it's not as if U.S. businesses pursue foreign engineers, computer scientists and the like because they're cheaper to employ. Nor are these foreign workers overrunning the country and displacing Americans. In 2006, new H-1B professionals comprised 0.07 percent of the labor force.

Citing anecdotal evidence -- "People have called our office," a spokeswoman tells us -- Senator Grassley says the fee increase is necessary to combat abuse and fraud. But the back wages owed to H-1B hires amounted to just \$4.6 million in 2006, down from \$5.2 million the previous year. In a \$12 trillion economy, those numbers are infinitesimal.

Department of Labor investigations reveal that some 90% of violations are paperwork offenses and good-faith misunderstandings.

The Senator also maintains that his tax increase is needed to fund more federal programs for high-achieving U.S-born students, who are notoriously underrepresented in math and science. Leaving aside the dubious notion that the federal government doesn't spend enough money on education, the high-tech industry has already shelled out more than \$2 billion to fund scholarships over the past decade. And that's not counting their other philanthropic efforts, nor the state and local taxes these companies pay to support public education.

Mr. Grassley's justifications notwithstanding, the reality is that these skilled foreign nationals help U.S. companies compete globally and keep jobs and innovation inside the U.S. This is especially important when other countries are opening their doors to this human capital. The European Union, which says it's facing a shortage of some 20 million skilled workers over the next two decades, has announced plans to streamline its immigration process to attract foreign talent.

So while even European bureaucrats are wising up to the importance of attracting global talent to keep an economy competitive, a Republican Senator is joining liberal protectionists to move the U.S. in the opposite direction. Go figure. If Congress can't see its way to fix our broken immigration system, the least it can do is not drive more jobs offshore.