The Wall Street Journal

January 6, 2016

The Latest Tax on Business Hits Visas for High-Skill Workers

Making companies pay $4,000-$4,500 more for every specialized professional from overseas.

By Robert Hoffman

The massive budget deal that Congress passed last month is something of a grab bag. But something few have noticed is that buried in the bill are fee increases for two kinds of temporary visas for high-skill workers—in effect, discriminatory taxes on productivity that will harm job growth and strike at America's dynamic economic relationship with India.

For the next decade, the bill increases by $4,500 the fee on each new L-1 visa for managers and specialized professionals, and by $4,000 the fee on each H-1B visa for other skilled professionals. The higher fees also apply when a company seeks to renew workers' visas.

These new taxes are highly discriminatory, as they apply only to firms with at least 50 employees that have 50% or more of their workforce on temporary visas. Congress is aiming mostly at India-based global companies— Tata Consultancy Services and Infosys, for instance—that help U.S. firms make smarter and more productive use of their information-technology systems. These IT-services companies rely on a skilled and mobile workforce, and thus, often relocate people to the U.S. temporarily or permanently.

For every technological innovation that allows you to buy stock on your laptop, watch a movie from your tablet, or turn on your home-security system from your iPhone, there is an IT-services company that helped make it possible. If a U.S. manufacturer hopes to build an advanced facility, or if a social-media company wants to ensure its users can post photos and videos, it relies on IT services. The pace of innovation is rapid, and demand is increasing.

Those who pushed to make temporary visas more expensive falsely believe that doing so will free up, save or create jobs for Americans. Recent evidence suggests the opposite: U.S. jobs will be lost. In 2009 financial institutions that received assistance under the Troubled Asset Relief Program, known as TARP, faced costly new restrictions on H-1B visas. Rather than deal with the added expense, many financial institutions moved the work abroad.

The new taxes on temporary visas will be even more disruptive. American businesses have long benefited from collaborating with IT-services companies in the U.S. But now their costs will likely increase, and they might be forced to continue or expand that work abroad, which would mean fewer technology jobs in the U.S.

The increased levies are great news for countries such as Canada, Brazil and Romania, which have for years aggressively pursued U.S. businesses to move their IT operations overseas. Such fees are also a disincentive for IT-services companies to sponsor their professionals for green cards to stay in the U.S. permanently, another drain on American talent.

By hitting companies based mostly in India, the new visa taxes will strain the country's relationship with the U.S., putting American business opportunities at risk when the Indian government has looked to reduce trade barriers. **Two studies by the nonpartisan National Foundation for American Policy have found that such discriminatory taxes violate the General Agreement on Trade in Services, handing ammunition to India in a possible trade battle.**

Congress should reconsider these harmful taxes on productivity and innovation, and shun additional shortsighted measures that attempt to target global IT services. Otherwise, American business will lose talent and know-how, leading to fewer jobs, reduced innovation and new barriers to businesses overseas.

Mr. Hoffman is an immigration policy strategist and consultant with Heather Podesta + Partners, and a former co-chairman of the skilled-immigration coalition Compete America.