



Backgrounder

Public Safety, Economic Security, and Remittances

March 2008

In 2006, Latin American immigrants in Georgia sent \$1.7 billion abroad through wire money transfers, also known as remittances.¹ The Inter-American Development Bank estimates that these immigrants spent \$17 billion within Georgia, directly contributing to our local economy.²

Efforts now underway to impose a new tax³ on international remittances have no guarantee of meeting the state's intended public policy goals. Furthermore, placing a new tax on international remittances can create unintended financial hardships for a number of legal Georgia residents:

- Legal immigrants, legal temporary workers present in Georgia with appropriate visas, citizens, and tourists to Georgia who send money to family in other countries; and
- “Mom and Pop” stores that draw business through storefront wire transfer services.

Additionally, national wire transfer businesses with local Georgia offices could be negatively impacted by tax avoidance behavior, including workarounds to avoid the new tax (for example, using a courier, instead of a wire transfer, to transfer funds, using an interstate intermediary to send an international remittance, or driving across the state border to send a wire transfer).

Furthermore, linking a remittance tax “tax credit” to the filing of a Georgia state income tax form punishes ordinary people who would otherwise have no legal obligation to file a Georgia state income tax form, including tourists visiting Georgia who send money overseas, workers who make less than the baseline for filing a state income tax form, and low-income seniors.

Georgia Appleseed has been at the forefront of promoting financial literacy, financial education, and financial access for immigrants new to the state. Georgia Appleseed's involvement in the issue of immigrant financial access was strongly motivated by the brutal murders of six immigrants in Tifton in September of 2005. Law enforcement agencies believe that these men were targeted because of the cash they hid in their homes⁴, as Latin American immigrant workers are known to be less likely to open a bank account due to fear, mistrust, and/or lack of education regarding U.S. financial institutions.

1 *Sending Money Home: Leveraging the Development Impact of Remittances*, Inter-American Development Bank, Multilateral Investment Fund, October 2006.

2 *Ibid.*

3 A percentage surcharge added to a remittance transaction is not a fee, but is a tax, under Georgia law. See *Luke v. Dept. of Natural Res.*, 270 Ga. 647, 648 (1999); *Gunby v. Yates*, 214 Ga. 17, 19 (1958).

4 Russ Bynum, *Georgia Slayings Alarm Mexican Immigrants*, Associated Press, October 2005.

In January of this year, the national office of Appleseed released the guide “**Banking in a Global Market**,” in collaboration with state Appleseed Centers in Texas, Alabama, Illinois, Nebraska, and Georgia. “**Banking in a Global Market**” describes several effective money remittance programs, drawing on the experiences of financial institutions in Georgia and throughout the U.S. By offering a tried-and-tested remittance program, financial institutions can more successfully enter and serve the legal immigrant market. Serving this market can help to promote public safety and economic security, and immigrants will have a better opportunity to save money, build credit, and move up the financial ladder.

In 2006, people around the world sent over \$300 billion in international remittances to developing countries.⁵ This is three times the amount of official development aid by all nations. According to the Inter-American Development Bank, “Remittances constitute one of the broadest and most effective poverty alleviation programs in the world, reaching approximately 20 million households in the [Latin American and Caribbean] region alone.”⁶ Inter-American Dialogue estimates that eighty percent of remittances are spent on critical immediate needs by the receiving families, on food, clothing, and housing.⁷

States should not discourage the use of remittances. Imposing a tax on international remittances will only serve to discourage the use of remittances, at least until customers learn that remittances sent through banks are exempt from the proposals now being considered by law makers. Remittances are a powerful economic development tool for many parts of the world, including Latin America. Remittances from the United States to Latin America and the Caribbean in 2005 totaled over \$53 billion.⁸ Improving the standard of living in Latin America creates more jobs in Latin America, thereby reducing the employment motivators that pull immigrants to the United States and to Georgia. Also, economic progress in Latin America can create space for political stability, which consequently promotes U.S. homeland security.

Georgia Appleseed is an independent affiliate of the national Appleseed network of nonpartisan, nonprofit, public interest law centers. Georgia Appleseed leverages the pro bono work of lawyers and other professionals to produce systemic solutions to difficult social justice problems. For more information on Georgia Appleseed and its Public Safety / Economic Security Initiative, go to www.gaappleseed.org.

5 *Sending money home: Worldwide remittance flows to developing countries*, International Fund for Agricultural Development, December 2007.

6 *Sending Money Home*, IADB, October 2006.

7 Jason DeParle, *Migrant Money Flow: A \$300 Billion Current*, New York Times, November 2007.

8 *Background Paper – Remittances*, IADB MIF, March 2006.