

November 9, 2011

**BAD FOR BUSINESS:***How Alabama's Anti-Immigrant Law Stifles State Economy*

Although key provisions of Alabama's HB 56 are on hold while its constitutionality is being tested in the courts, evidence is mounting of the growing fiscal and economic impact of the new law. State economic experts and business leaders agree that the law has already caused hardship for Alabama's businesses and citizens.

**Alabama is losing workers.**

- Unauthorized immigrants comprised roughly **4.2% of the state's workforce** (or 95,000 workers) in 2010, according to a report by the Pew Hispanic Center.<sup>1</sup> However, there are reports that people are leaving the state or going further underground as a result of the new law. This means a significant portion of the workforce is no longer available.
- The **Alabama agricultural industry**, in particular, **is suffering**. Alabama Agriculture Commission John McMillan stated, "the economic hardship to farmers and agribusiness will reverberate throughout Alabama's economy, as one-fifth of all jobs in our state come from farming."<sup>2</sup>
- Professor Scott Beaulier of Troy University argued that, on economic grounds, it's **absurd to say that HB 56 is a jobs law**: "Immigrants—both legal and illegal—are a force for good. They create jobs, they enrich culture and they make our state a more interesting and dynamic one in which to live. Alabama's immigration law is a pathetic, backward attempt to play politics and protect Alabamians from the bogeyman of immigration."<sup>3</sup>

**Alabama is losing taxpayers.**

- According to the Institute for Taxation and Economic Policy (ITEP), households headed by unauthorized immigrants collectively **paid \$130.3 million in state and local taxes in 2010**. That included \$25.8 million in personal income taxes, \$5.8 million in property taxes, and \$98.7 million in sales taxes.<sup>4</sup>

**HB 56 is a drag on the Alabama economy.**

- According to Prof. Samuel Addy at the Center for Business and Economic Research at the University of Alabama, **HB 56 will reduce the Alabama economy by \$40 million**.<sup>5</sup>

- Addy said the law “is certain to be a **drag on economic development** even without considering costs associated with enforcement of the law...demand in the Alabama economy is reduced since the income generated by these people and their spending will decline. That results in a shrinking of the state economy and will be seen in lower economic output, personal income, and fewer jobs than would otherwise have been.”<sup>6</sup>

### **Businesses are suffering from additional costs.**

- Economist Jeremy Thornton of Samford University points to the “shadow costs” employers incur when they take steps to protect themselves from the law’s stiff penalties. **Businesses will spend more on employee screening** to protect themselves from provisions of the law that bar them from knowingly hiring unauthorized workers. There could also be **increased litigation costs for businesses** because any legal worker could sue the employer if they have hired an unauthorized worker. “Every business that now has to comply with this legislation, that’s just extra cost. And anytime you raise costs, businesses shrink.”<sup>7</sup>
- Businesses will likely have to **spend more on third party assistance** for employment eligibility paperwork and extra human resources staff.<sup>8</sup>

### **Business licenses are in jeopardy.**

- Alabama had to push back the deadline for businesses to obtain or renew their licenses “due to the hardship placed on Alabama businesses” that could not get licenses in October because of implementation of the new law. The new law **requires individuals and businesses obtaining or renewing business and store licenses to show additional documentation**, which has led to long lines at courthouses and other delays.<sup>9</sup>

### **Contracting and business transaction provisions hurt everyone.**

- Two standing provisions of Alabama’s immigration law affect nearly every aspect of normal daily life in Alabama. One provision [Section 27] prevents Alabama courts from enforcing contracts to which an unauthorized immigrant is a party. This means that **Alabamians can violate the terms of contracts**—employment, leases, court settlements, etc.—**and neither party has legal recourse.**
- Another provision [Section 30] makes it a felony for unauthorized immigrants to even attempt to conduct business transactions with state or local governments. As a result, state and local government agencies are **requiring everyone to show documentation** proving legal status in order **to get any public benefits or services**: water service, professional licenses, death certificates, etc.
- The **additional staff time** needed to check and process the documents of everyone applying for a public benefit or service **is costly**, but HB 56 did not include any additional funding for implementation.

## Endnotes

---

<sup>1</sup> Jeffrey S. Passel and D’Vera Cohn, *Unauthorized Immigrant Population: National and State Trends, 2010* (Washington, DC: Pew Hispanic Center, February 1, 2010), p. 24.

<sup>2</sup> Jay Reeves, “[Alabama police wary of new immigration law](#),” Associated Press, September 29, 2011.

<sup>3</sup> Scott Beaulier, “[Viewpoints: Alabama’s immigration law is economically absurd](#),” *Birmingham News*, October 23, 2011.

<sup>4</sup> Institute for Taxation and Economic Policy, *Unauthorized Immigrants Pay Taxes, Too* (Washington, DC: Immigration Policy Center, American Immigration Council, April 18, 2011).

<sup>5</sup> Samuel Addy, *The New Alabama Immigration Law: A Preliminary Macroeconomic Assessment* (Tuscaloosa, AL: Center for Business and Economic Research, University of Alabama, October 2011).

<sup>6</sup> *Ibid.*, p. 2.

<sup>7</sup> Evan Belanger, “[Experts: Immigration Law Will Cost Businesses](#),” *Birmingham Business Journal*, October 7, 2011.

<sup>8</sup> Jay Reed, “[Consequences of the Immigration Law](#),” *Birmingham Business Journal*, October 21, 2011.

<sup>9</sup> Phillip Rawls, “[Biz Deadline Delayed Due to Ala. Immigration Law](#),” *Bloomberg Businessweek*, November 4, 2011.