Special Report
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Florida TaxWatch

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Establishing a Retirement Visa Would Help Revive Florida's Vital Real Estate Industry

Executive Summary

Both Florida's natural assets and its uniquely strategic location make it well positioned for tremendous levels of international trade, tourism, and commerce. There but for antiquated regulations, Florida would be a leader in these areas. It is important for Florida to address this deficiency so that it can continue to prosper.

For example, now is the time to think beyond our borders and include the international community in finding solutions to the current economic crisis. The U.S. is in the midst of the most pressing financial crisis ever seen during the lifetime of most of her citizens. Florida is one of the states bearing the largest share of the blunt of this downturn. Florida's current recession is more pronounced than most states' because its economy relies more heavily on real estate and high population growth, which have been the backbone of its economy for decades.

Falling property values and rising mortgage foreclosures across the nation have contributed to a cycle of mounting losses for financial institutions and other investors, especially in Florida. These events have also contributed to a lower risk tolerance, tighter lending standards, and less lending –which cause property values to diminish and a repeat of the cycle. As shown in the table below, the Florida housing market is a significant contributor to the nation's economy, adding over $125 billion to the gross domestic product (GDP) in 2007. New and creative solutions should be developed to revitalize our state's stagnant economy, such as a retirement visa.

Real Estate, Rentals, and Leasing Sector as a Percent of Total GSP/GDP*

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Florida GSP	15.1%	15.0%	15.2%	15.1%	15.6%	15.8%	16.0%	16.1%	16.9%	17.0%	17.1%
United States GDP	12.1%	12.0%	12.2%	12.2%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
FL as Percent of US	5.9%	6.0%	6.0%	6.0%	6.1%	6.3%	6.5%	6.6%	7.2%	7.3%	7.2%

*GSP is Gross State Product; GDP is Gross Domestic Product
Source: United States Department of Commerce, Bureau of Economic Analysis
Note: 2008 data were not available at time of publication

A retirement visa would be especially important for Florida because the state has three times the percentage of foreign buyers as the United States as a whole. For this study, Florida TaxWatch used an economic modeling analysis tool, known as the Regional Economic Models, Inc. (REMI), to estimate the impact of implementing the proposed retirement visa on the United States' and Florida's economies. The table below is a summary from the REMI analysis.

Estimated Contributions to Respective Economies Over Ten Years if the Proposed Visa is Implemented				
	Jobs	**GSP/GDP (In 2009 Dollars)**	**Output (In 2009 Dollars)**	**Personal Real Disposable Income (In 2009 Dollars)**
Florida	113,000 – 339,000	$9.1 B / $27.3 B	$15 - $44.7 B	$6.7 B - $15.4 B
United States	355,000 – 1 million+	$33 B / $99.2 B	$58.42 B - $175 B	$11.8 B - $35.3 B

The REMI estimates are based on data gathered from numerous sources (such as the U.S. Bureau of Economic Analysis) and a recent study, *The 2008 National Association of REALTORS ® Profile of International Home Buying Activity*. The study found that 3 percent of entire home sales nationwide involve international buyers – this rate is 9 percent for Florida, triple the national level. Florida TaxWatch assumed that the housing investment spending resulting from international home buying activities will increase from 10 percent to 30 percent once the retirement visa is created.[1] Therefore, three different scenarios for the state and nation were developed:

- Scenario 1: residential housing sales involving foreign buyers will **increase 10 percent**
- Scenario 2: residential housing sales involving foreign buyers will **increase 20 percent**
- Scenario 3: residential housing sales involving foreign buyers will **increase 30 percent**

As can be seen in the REMI data table, the economies of Florida and the U.S. will receive comprehensive and significant gains if a retirement visa policy is implemented. Depending on the scenario, for the ten years over which the estimates were run (2009 – 2018), the total number of Florida jobs cumulatively created or supported by this additional investment in housing will range from 113,000 to 339,000 units. Additionally, the Gross State Product (GSP) will reach a cumulative total of $25 billion, the contribution to output (total sales) is estimated to range between $15 and $44.7 billion, and $6.7 billion to $15.4 billion will be added to the total contribution to real personal disposable income (wage and salary) by 2018.

An injection of new capital, and increased demand from abroad, could potentially shorten the recession that is destabilizing the country. These factors could create new jobs, increase GSP/GDP output, and put more money into the pockets of Americans. The real estate sector can serve as an avenue through which this demand may be achieved. Foreign dollars are "new" dollars that can act as a catalyst that spurs growth and economic expansion within our own

[1] There is uncertainty about the exact magnitude of the popularity of the retirement visa since no other country has an exactly analogous program. As a result, we developed three scenarios to examine its economic impact.

borders – requiring little to no investment by taxpayers. The development of a retirement visa could be helpful in creating substantial investment and demand in the housing market.

The economic health and recovery of our state and our nation depend greatly on new approaches in a globalized world. Evidence suggests that quickly implementing a responsible retirement visa policy would reap significant rewards. With a new Administration and Congress focused so intently on creating economic initiatives to stimulate and diversify the U.S. economy, now is the time to initiate a retirement visa which will encourage international trade, tourism, and commerce. This legislation could provide additional revenues and aid the recovery of the economies of Florida and the U.S.

Introduction

To aid our nation's economic recovery, the United States should consider creating a retirement visa. This policy, which is currently practiced on every settled continent including our own,[2] welcomes foreign retirees to spend their later years in our country, allowing them to invest in real estate and contribute new dollars to the state and national economies while keeping them out of the labor pool.

The proposal presented in this report is not a "new" concept; however, it will require forward-thinking leadership and amendments to foreign policy that will enable positive reform in the best interests of Florida and national taxpayers alike. A retirement visa is a specialized type of immigration authorization that allows foreign persons meeting certain requirements (usually minimum age and asset thresholds) to "retire" in the issuing county – i.e., a U.S. retirement visa program would allow foreign citizens who could afford to retire in Florida an opportunity to do so through special immigration status. Currently, this program does not exist in the United States. A retirement visa (often referred to in the U.S. as a "Silver Card" and also known worldwide as a "rentista," or "pensionado" visa) has the potential for creating new jobs, generating income, increasing federal, state, and local tax revenues, and improving banking and market stability – all while improving both the nation's international perspective and perception.

Now is certainly not the time to discourage any potential investments in Florida real estate by deterring foreigners from retiring here and bringing with them their life savings. If the proper measures are added into existing law, then the retirement visa will allow nonresident taxpayers to enter our country and the doors of opportunity will open – allowing the U.S. to experience an influx of well-positioned and financially stable individuals that wish to purchase homes and property, and can inject billions of dollars into the economy.

Florida has an urgent need to create demand for residential real estate in order to overcome the devastating housing market collapse. An injection of new demand from abroad has the potential

[2] E.g. Mexico, Spain, Australia, Brazil, South Africa, and Thailand (Please see Appendix A for details of these countries' visas).

of shortening the duration of this destabilizing recession. The development of a retirement visa could be helpful in creating new demand for desirable property in the Florida and U.S. housing markets.

Current Options for Foreigners to Retire in Florida

At this time, there are limited options for foreign nationals to reside in the United States without investing significant time and resources to remain in the country. There are approximately 88 types of visas[3] currently available for foreigners who wish to reside in the United States, but most allow for only a limited time of stay. For instance, the maximum length granted through a tourist visa (B-2) is up to one year,[4] with a possible extension of up to six months at a time. While many visas exist, there exists no long-term visa, which would allow foreign nationals who own vacation or retirement properties in the U.S. to remain in the country for an extended duration beyond that offered through the more time limited tourist visa.

Many retirees simply desire to enjoy the remainder of their years partaking in cultural or recreational activities – not working, as would be the desire of green card applicants. These persons simply wish to enjoy many years of retirement on our nation’s shores. However, the restrictions of the current system discourage foreigners from purchasing retirement or vacation properties in the U.S., thus suppressing demand for American property.

Although there are a few long-stay visas – such as treaty investor visas (E-2)[5] and employment creation visas (EB-5),[6] these visas are not tailored to address the unique needs of foreigners who desire to extend their stays beyond one year. The currently available visas also prevent potential retirees from enjoying an uninterrupted stay in the U.S. without being required to invest a substantial amount of money or maintain an active role in managing a business. The E-2 visa is only available to nationals from countries that have previously signed the required treaty provisions with the U.S.

Therefore, the E-2 visa was established for a different purpose and does not accommodate those foreigners who wish to spend some of their retirement years in the U.S. Similar to the E-2 visa, the EB-5 visa also requires a minimum investment of $1 million and the creation of 10 new jobs for U.S. workers. Again, the purpose of this type of visa is clearly targeted, though it is not intended to capture the interest of foreign nationals wishing to reside in the states for leisure and retirement.

Likewise, there are no non-immigrant visas that would reasonably denote the intentions of prospective foreign retirees. Most of the visas that fall within this category are for purposes limited to business or capital investment requirements, employment, familial relations (fiancé,

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[3] For a list of visas, please visit: http://travel.state.gov/visa/questions/questions_1253.html, retrieved on 1-23-09.
[4] 8 CFR 214.2(b)
[5] 8 CFR 214.2(e)(2)
[6] 8 CFR 204.5

child, or relative), education or exchange, victimization in foreign lands, entertainment or media, or governmental relations. The tourist visa (B-2) is, perhaps, the most applicable in nature to the needs and intentions of retirees. This visa is defined by § 101(a) (15) (B) of the Immigration and Nationality Act (INA) as:[7]

> an alien (other than one coming for the purpose of study or of performing skilled or unskilled labor or as a representative of foreign press, radio, film, or other foreign information media coming to engage in such vocation) having a residence in a foreign country which he has no intention of abandoning and who is visiting the United States ... temporarily for pleasure.[8]

In order to qualify for B-2 status, a foreign national must:

- Have a foreign residence that he or she has no intention of abandoning;
- Enter the United States for only a temporary visit;
- The visit must be for pleasure; and
- The person(s) must have sufficient funds to support him or herself without resorting to unauthorized employment.

These requirements are largely amenable to the ambitions of a retiree that desires to take up a vacation or primary residence in the United States. However, the largest investment most individuals have is their home. If an individual must retain their current, foreign, residence prior to purchasing a new dwelling in the U.S., then the likely source of revenues that would be utilized in the said transaction would not be available.

Similarly, the requirement that the stay be temporary in nature is reasonably agreeable to the idea of a retirement visa. However, the legally-dictated time frame may not be copacetic as may be desired. Title 8, Part 214.2 (b) Code of Federal Regulations (CFR), "Nonimmigrant Classes: Special requirements for admission, extension, and maintenance of status" reads:

> (b) Visitors – (1) General. Any B–1 visitor for business or B–2 visitor for pleasure may be **admitted for not more than one year** and may be granted extensions of temporary stay in increments of not more than six months each…

Since many, retirees may wish to remain a national of their home country while residing in the United States for an extended period of time, it is necessary that the current visa program be amended to include a classification of visas that would include these individuals.

[7] http://www.americanlaw.com/b-2.html , retrieved on 1-23-09

[8] The term "pleasure" has been defined by the Department of State as "legitimate activities of a recreational character, including tourism, amusement, visits with friends or relatives, rest, medical treatment, and activities of a fraternal, social, or service nature." Participation in conferences with fraternal, social, or service organizations would also be considered a proper B-2 activity. Visitors for pleasure may not engage in employment.

What is the Potential Estimated Demand for a Retirement Visa?

Temporary visas for short-term visitors (e.g., WT and B1. 1) WT: Waiver visa for tourist purposes; 2) B2: Temporary visitor for pleasure), generally referred to as "tourist visas," accounted for an average of 74 percent of all Form I-94 admissions for all available fiscal years between 1998 and 2007. Alternatively, tourist visas represented an average of 82 percent of all non-resident admissions during this period (which was, on average, 90 percent of all I-94 admissions). Between 2002 and 2007, three of the top five categories of visa admissions were for tourist-related purposes.[9]

Lessons may be gleaned from the United Kingdom's (U.K.) now-defunct "retired persons of independent means" visa. The U.K. government discontinued this entry option due to a combination of low demand (an average of less than 20 applicants per year) as well as citizen displeasure with the program.

Lessons learned: Some of the requirements of the UK visa may have also led to the low number of applicants. For example, having "a close connection"[10] to the U.K. disqualified a significant number of possible applicants that may otherwise qualify for the visa under the remaining requirements. The American equivalent of "a close connection" (Section 214(b) of the INA) is a significant factor in determining the intent of the individual, as well as eligibility and suitability of visa applications to their respective applicants. The U.S. Bureau of Consular Affairs describes "a close connection" as a prospective visa applicant's possessions, employment, or social, and family relationships within their home country and here in the U.S. The intentions of those that would apply for a retirement visa are often times quite clear and, thus, would simplify the interview process in this regard.

Another possible drawback is that retired individuals of "independent means" may wish to spend summers in the U.K. and winters elsewhere (such as the United States). Therefore, making the U.K. their "home" could create a disincentive to those individuals that may wish to experience a more lavish or diverse retirement.

By considering the lessons learned in the U.K. and other countries that have implemented retirement visas, the United States can avoid pitfalls of a lack of demand.

The Housing Market and Foreigners: Florida and the United States

The housing decline has led to a decrease in foreign investment in U.S. real estate, but a report published in January of 2009 reveals that "foreign investors in real estate expect to spend

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[9] Source: U.S. Department of Homeland Security http://www.dhs.gov/ximgtn/statistics/publications/YrBk07NI.shtm (Table 25: Nonimmigrant Admissions by Class of Admission: Fiscal Years 1998 - 2007), retrieved on 1-28-09.

[10] The U.K.'s definition of "a close connection" is not concretely defined (similar to that of the U.S.); http://www.ukimmigration.com/retirement , retrieved on 2-6-09.

significantly more in 2009 than they did in 2008."[11] This potential upswing in the real estate market suggests that foreigners are not intimidated by recent events in the American mortgage industry and continue to view U.S. real estate as valuable, stable assets for their investment dollars. The report also reveals that foreign real estate lenders have indicated an intention to increase lending by 54 percent internationally – with an increase of 58 percent in the U.S. alone.

Florida is still the most popular destination for international property purchases in the U.S. Even with the slowdown in the housing market, Florida is still considered an inviting investment. In 2007-2008, Florida accounted for just over a quarter (25.4 percent) of all foreign real estate purchases in the nation, while accounting for less than 5 percent of the U.S. – a foreign investment rate of more than five times its proportionate share of the nation's population.[12]

> **"Florida is always being spoken of very highly [in Europe]. People love to be here. They come out for vacations two or three times a year."**
>
> **Laszlo Kovacs**
> **CEO Florida Investment Marketing, Inc.**

The weakened U.S. dollar has provided significant buying power to international investors. In 2007, the English pound was worth $2.00, giving them a 6.5 percent increase in purchasing power from 2001.[13] This purchasing power makes Florida's rapidly declining real estate prices more attractive. In fact, 38 percent of respondents to the survey cited the weak dollar as having a significant impact on foreign buyer's decisions to purchase a home in the U.S. In other words, coupled with rising foreign currency values, the 2007 to 2008 decline in the median sale price of homes to international investors in Florida[14] may lead to more sales and potentially revitalize Florida's housing market.

Since the economic downturn began in the fourth quarter of 2007 and talk of mortgage and bank troubles became every-day discussion, the number of international investors purchasing real estate in Florida with cash has increased significantly. As seen in the charts below, in 2008, 60 percent of foreign buyers used cash when purchasing homes in Florida, while 37 percent used mortgage financing (as opposed to 2007's 29 percent and 62 percent, respectively). Florida's ratio is greater than the U.S.'s ratio in 2008, where 43 percent of foreigners used cash to

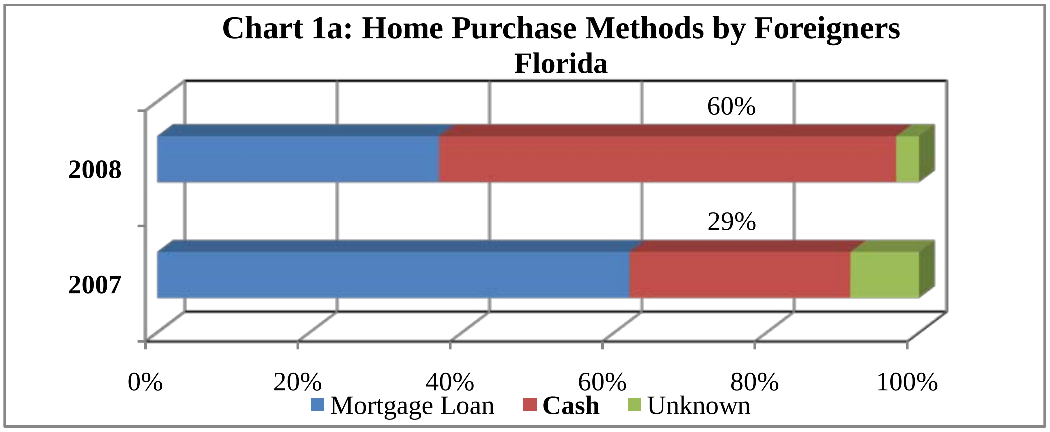
[11] Association of Foreign Investors in Real State. Available on http://news.prnewswire.com/DisplayReleaseContent.aspx?ACCT=104&STORY=/www/story/01-12-2009/0004952690&EDATE , retrieved on 2-5-09.

[12] The 2008 National Association of REALTORS ® Profile of International Home Buying Activity.

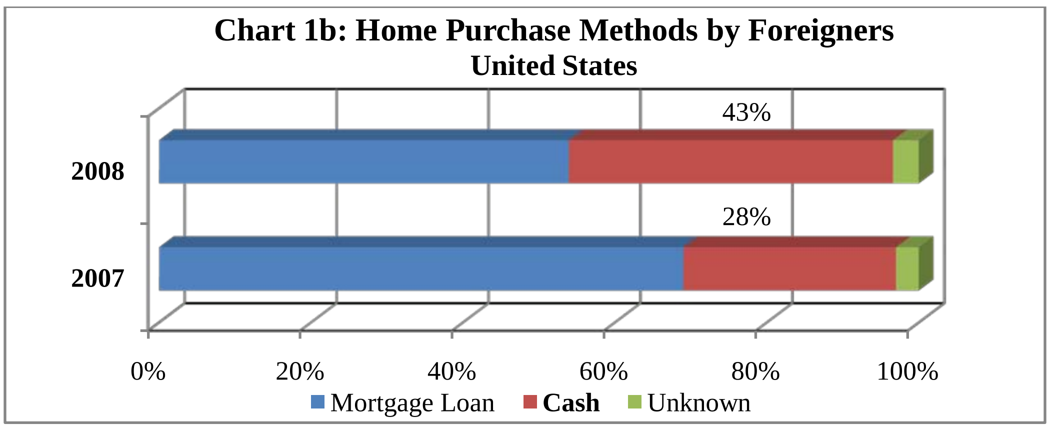
[13] The 2007 National Association of REALTORS® Profile of International Home Buyers in Florida.

[14] The medium sale price of homes to international investors declined from $352,400 in 2007 to $285,000 in 2008. Source: The 2007 National Association of REALTORS® Profile of International Home Buyers in Florida.

purchase homes and 54 percent used mortgage financing (as opposed to 28 percent and 69 percent, respectively, the year before).[15]



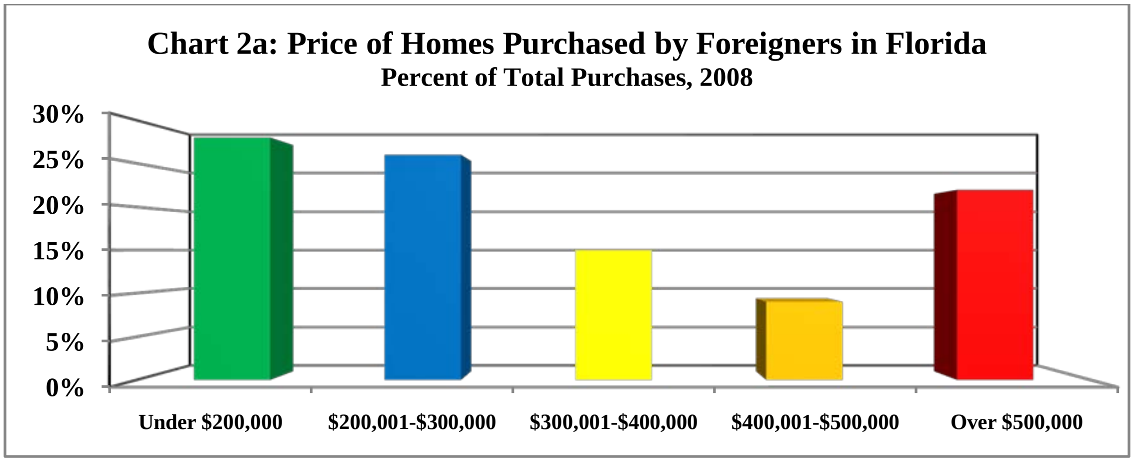
Source: *2007 & 2008 National Association of Realtors® Profile of International Home Buying Activity in Florida*



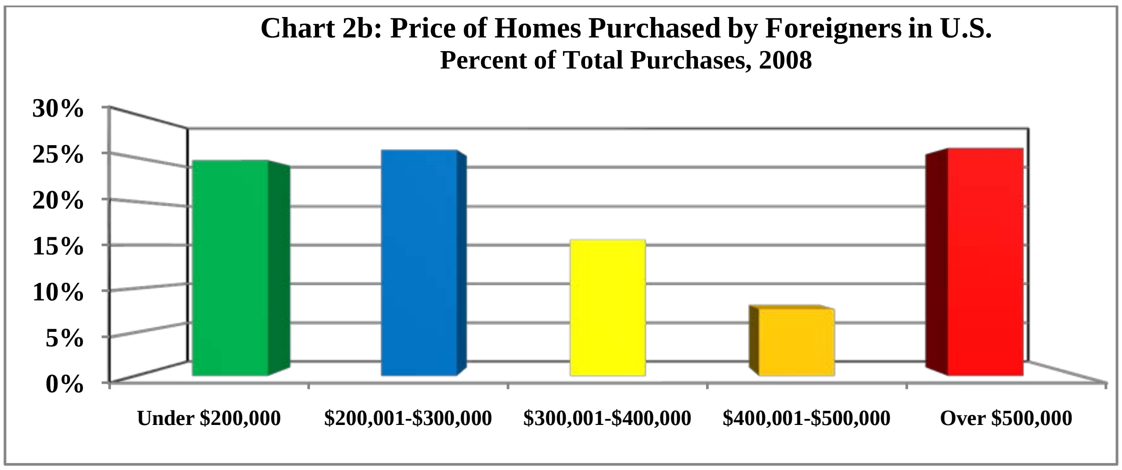
Source: *2008 National Association of Realtors® Profile of International Home Buying Activity*

The data that break down these transactions by size (dollars) are even more useful in revealing the value of foreign investment in the Florida and U.S. real estate markets. As can be seen in the following two charts (2a and 2b), there is an increase in the number of purchases being made in cash, which translates to an immediate and substantial infusion of funds into the respective economies. Although the percentage of the total transactions worth more than $500,000 is higher for the U.S. than in Florida alone, it is still a positive sign that over 20 percent of total transactions are in this category of spending. This discrepancy may be best explained by the fact that a larger percentage of sales in Florida are for condos/apartments and townhouses/row houses (36 percent and 9 percent, respectively – as compared to the U.S. statistics of 19 percent and 6 percent, respectively).

[15] The percentages might not add up to 100% as "do not know" responses have been excluded.



Source: *2008 National Association of Realtors® Profile of International Home Buying Activity in Florida*



Source: *2008 National Association of Realtors® Profile of International Home Buying Activity*

In 2008, over 55 percent of foreign real estate purchases were for use as vacation homes, while 12 percent were strictly for property investment.[16] The primary use of the purchased home determines the length of stay of buyers. Those who own vacation homes in Florida are likely to stay longer than others.

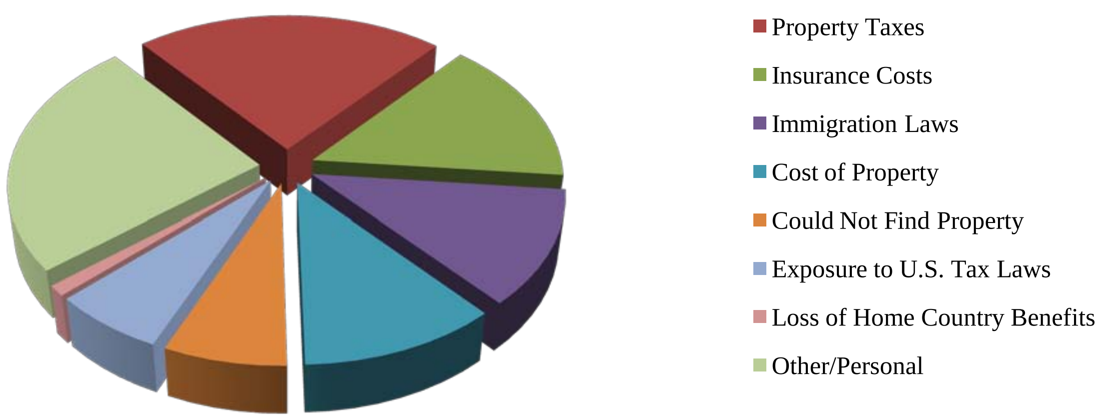
Barriers to purchasing property in the United States have led to the loss of potential Florida sales, especially those relating to visa restrictions. Many foreigners are not permitted to stay in the United States for more than six months at a time, especially those that are retired and do not work. Visas are becoming more difficult to obtain and there are multiple restrictions on their renewal. Increasing the number of visas for foreign investors, especially non-working or retired purchases would greatly widen the pool of potential home buyers in the state of Florida. Even in a declining housing market, international investors maintain the purchasing power to acquire larger or multiple homes.

[16] The 2008 National Association of Realtors® Profile of International Home Buying Activity in Florida.

In a retirement survey conducted by Harris Interactive in five countries, respondents identified barriers that would deter those considering retirement in the U.S. These catalysts ranged from health care system constraints (67 percent) to native country laws that would restrict their ability to reside outside of the home country (three separate responses of 26 percent, 22 percent, and 11 percent, respectively).[17] One third of respondents stressed an apprehension about how the U.S. would tax their retirement incomes. A quarter of respondents were concerned about the cost of purchasing and owning a home in the U.S., but with the declining housing market's bottoming prices this anxiety may be diminishing by the week.

Realtors® surveys indicated that their international clients' most common reason for not buying property in the United States in 2008 was due to the cost of the property. U.S. visa restrictions ran a close second. Similarly, the top reasons given by Florida-specific respondents ranged from property taxes (42 percent) to loss of home country benefits (2 percent), with 22 percent of responders not purchasing real estate because of immigration laws preventing year round residence. However, the decline in the purchase price of homes in Florida, coupled with the increase in the purchasing power of foreign currencies, makes Florida a more attractive location for foreign retiree investments.

Chart 3: Reasons for Not Purchasing Property in Florida
2008



Source: *2008 National Association of Realtors® Profile of International Home Buying Activity in Florida*

Harris Interactive Survey: Retirement Plans of Adults in Five Counties[18]

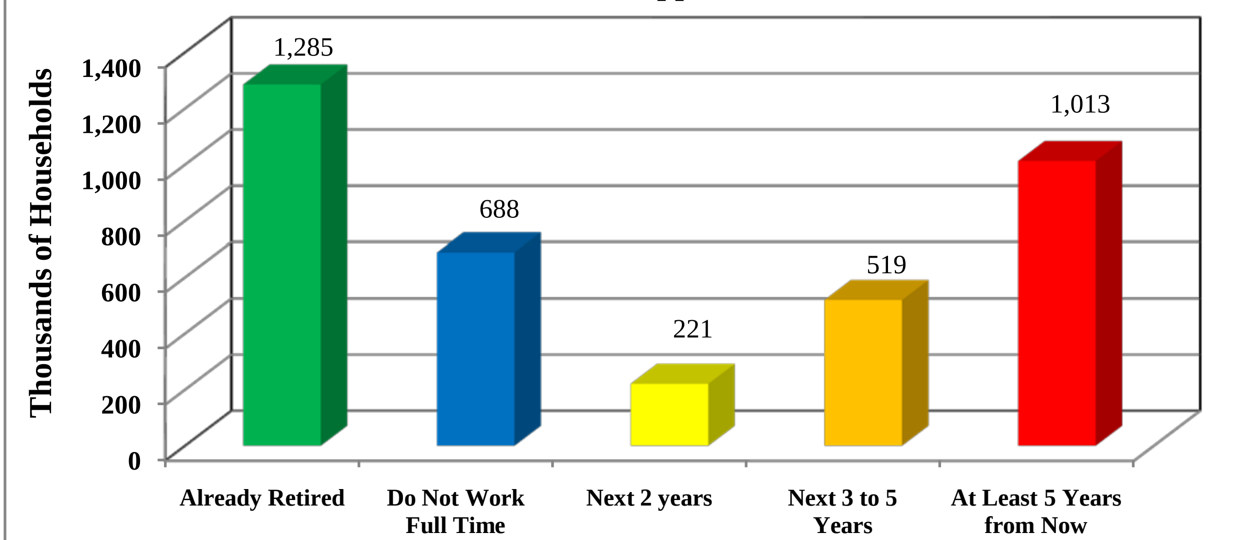
The National Association of Realtors® (NAR) requested a survey be performed by Harris Interactive, an independent research company that has members in 145 countries and is able to reach into markets not attainable by many national survey groups. Harris surveyed countries that were identified by the NAR as significant contributors to the foreign demand for retiree home purchases in the United States.

[17] The survey titled as Retirement Plans of Adults in Five Countries was conducted by Harris Interactive. For more information, please refers to the following website: http://www.harrisinteractive.com/
[18] The five countries are: Great Britain, France, Germany, Canada, and Mexico.

Among respondents aged 45 and older, 7.1 percent (overall) would consider retiring in the United States. Among these respondents that indicated that they would consider retiring to the U.S., 37 percent revealed that they would prefer Florida as their future home, with California second at 32 percent. Respondents from Mexico and Canada were the most receptive to the idea, with 16.8 percent and 9.9 percent (respectively) indicating their favorable potential relocation to this country.

The following chart depicts the number of households that would consider relocating to the United States, by retirement status.

Chart 4: Potential Visa Applicant Retirement Status



Source: Harris Interactive Survey of Retirement Plans of Adults in Five Countries

As the chart demonstrates, the largest number of potential visa applicants are those that are already retired. According to the data, there is a potential influx of visa applicants initially, followed by a period of slow growth and a spike back upwards. A positive sign for the future demand of the retirement visa is that the second-highest group of households considering retirement in the U.S. is made up of those that are still awhile from retirement age.

Another positive sign of potential future retirement visa applicants, revealed in the Harris survey, is that a considerable portion of the individuals that would consider relocating to the U.S. for their retirement years have a significant assets saved for their later years. For example, 51 percent of these respondents from the U.K. had assets of *at least* $347,450. Other countries had varied results. Canada had 32 percent of respondents indicating their level of assets to be at least $422,250 – with 27 percent declining to answer. However, Mexico, the country with the largest percentage of respondents considering retirement in the U.S., had the highest number of respondents with the least assets of nearly $200,000 (48 percent). The conclusion that can be derived from this data is that the U.S. should examine ways to entice well-positioned foreign retirees to choose The U.S. as their retirement destination. One large step towards this end would be to enact a retirement visa.

By comparison, U.S. citizens do not appear to be as well off in their retirement savings. The following table details responses of individuals to a 2008 survey conducted by the Employee Benefit Research Institute (EBRI).[19] Older workers have saved more than younger workers although overall levels of savings and investments tend to be modest. As specified by EBRI, 49 percent of workers report less than $25,000 in total savings and investments (excluding their primary residence and defined benefit plans).

Reported Total Savings and Investments of Americans*					
	All Workers	**Ages 25-34**	**Ages 35-44**	**Ages 45-54**	**Ages 55+**
Less than $10,000	36%	49%	33%	29%	28%
$10,000-$24,999	13	18	13	11	8
$25,000-$49,999	12	14	12	13	7
$50,000-$99,999	12	13	12	10	16
$100,000-$249,999	15	4	21	18	18
$250,000 or More	12	2	8	20	23

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey®
*Among those providing a response

A caveat expressed by the Harris Interactive survey of potential foreign retirees indicated that the data does not lend itself to determining a precise figure, but that scenarios expressing estimated conditional results may be possible. The REMI analysis conducted by Florida TaxWatch and discussed below must include such a caveat – in that the numbers presented in the results are estimates and cannot be specifically quoted as exact dollars.

Economic Impact Analysis

Florida TaxWatch (TaxWatch) used the Regional Economic Models, Inc. (REMI) to capture the direct, indirect, and induced economic impacts resulting from the additional residential housing investment by foreign buyers. Indirect impacts include purchases of inputs made by firms that are supplying goods and services to the real estate and construction sectors. Induced impacts result from the "re-spending" of wages – that is, new employees have money to spend on a variety of different goods and services such as groceries, clothes, insurance, hospital, and bank services. An aggregate multiplier, determined by these three impacts, measures the total economic impact of events such as housing investment expenditures. For example, an aggregate economic multiplier of 3.5 would mean that for $1 of spending at an event, $3.50 is generated in the economy. Subtracting the original $1.00 spent on the event (direct impact) leaves $2.50 of additional spending in the economy (indirect and induced impacts).

[19] Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey®, http://ebri.org/files/RCS08_FS2_Saving.pdf, retrieved on 1-28-09.

This highly regarded econometric model (REMI) is widely implemented to empirically measure proposed legislative, executive, and other program impacts. REMI is based on a nationwide input-output model that captures inter-relationships among sectors and measures the impact of changes in economic variables on overall economic activity. The REMI model was specifically developed for the state of Florida and includes 169 sectors. The model's principal advantages are that it can be used to forecast both direct and indirect economic effects over multiple-year time frames. REMI is used by the Florida Legislature's Division of Economic & Demographic Research, the Florida Agency for Workforce Innovation, other state and local government agencies, universities, and private research groups.

The estimate is based on a recent study, *The 2008 National Association of REALTORS Profile of International Home Buying Activity*. The study found that three percent of entire home sales nationwide involve foreign buyers. The rate is 9 percent, or three times the national rate for Florida. We assume the housing investment spending resulting from international home buying activities will increase by 10 percent to 30 percent once the retirement visa is created. Therefore, we developed three different scenarios for the state and nation, as shown below:

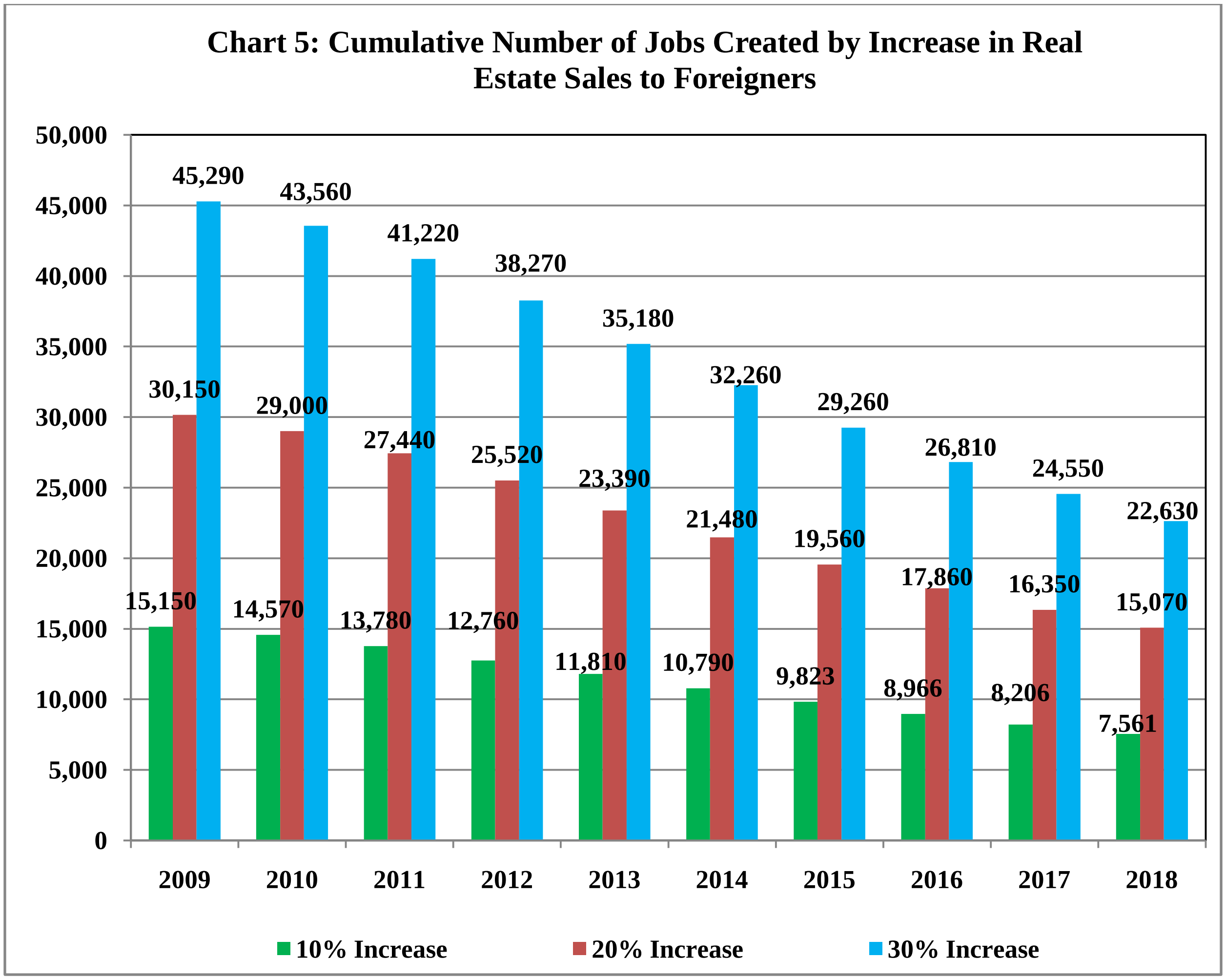
- Scenario 1: residential housing sales involving foreign buyers will **increase 10 percent**
- Scenario 2: residential housing sales involving foreign buyers will **increase 20 percent**
- Scenario 3: residential housing sales involving foreign buyers will **increase 30 percent**

Even though the percentage value for scenarios is arbitrary, it is quite moderate considering the findings of the previously discussed survey of potential foreign buyers. The findings for all scenarios will be presented in four major categories:

- Employment
- Gross State Product (GSP)
- Output
- Personal Disposable Income

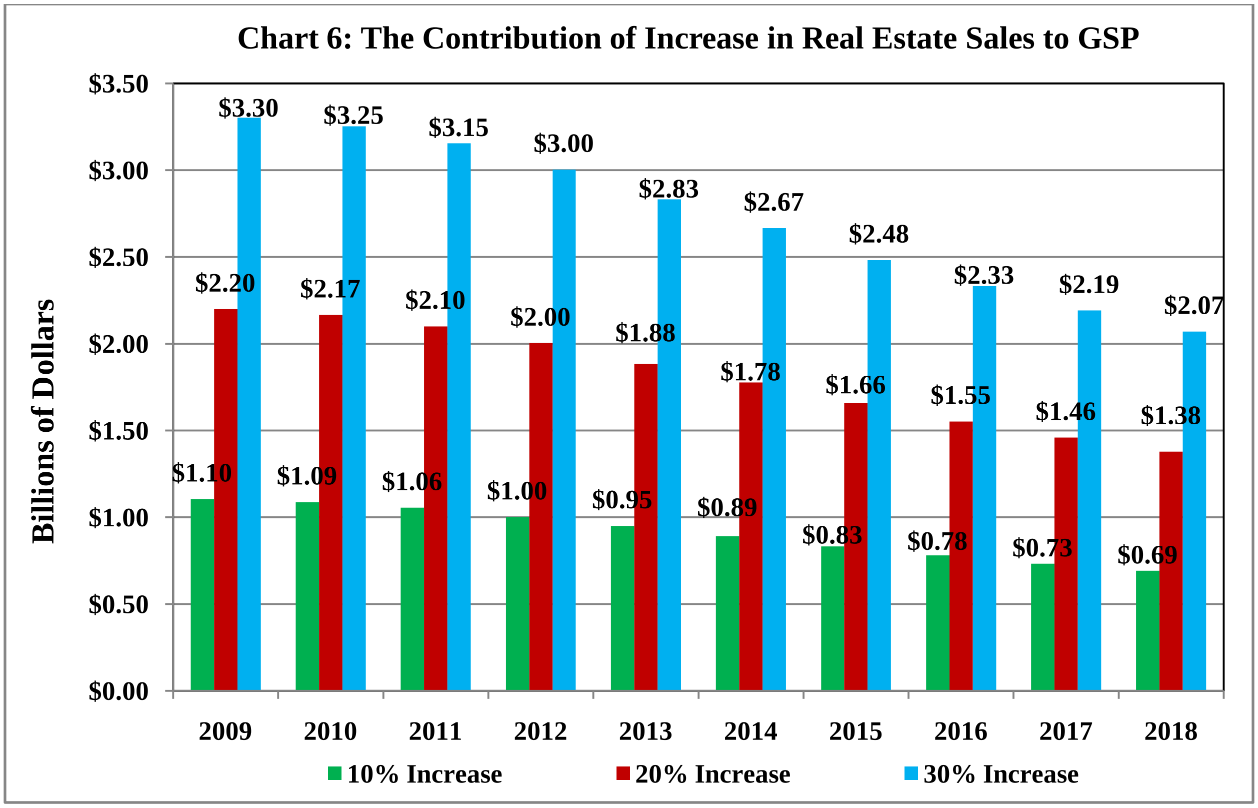
The Economic Benefits of Establishing a Retirement Visa for Florida

For the state scenarios, based on the current real estate sales by foreign buyers ($10.75 billion in 2007), Florida TaxWatch increased the annual residential home investment spending by $1.08 billion for Scenario 1, $2.15 billion for Scenario 2, and $3.23 billion for Scenario 3. The employment, output, and income impacts of this change in housing investment are estimated through the REMI model developed for the state of Florida. As seen in Chart 5, the REMI model indicates that the retirement visa will create 15,000 to 45,000 jobs in 2009. The employment impact will diminish over time due to the assumption that the median home price will increase and relatively smaller economic activities will be generated with the same amount of annual investment in residential housing. For the 10 years, the total number of jobs cumulatively created or supported by this additional investment in housing will range from 113,000 to 339,000, depending on which of the three scenarios is applied.

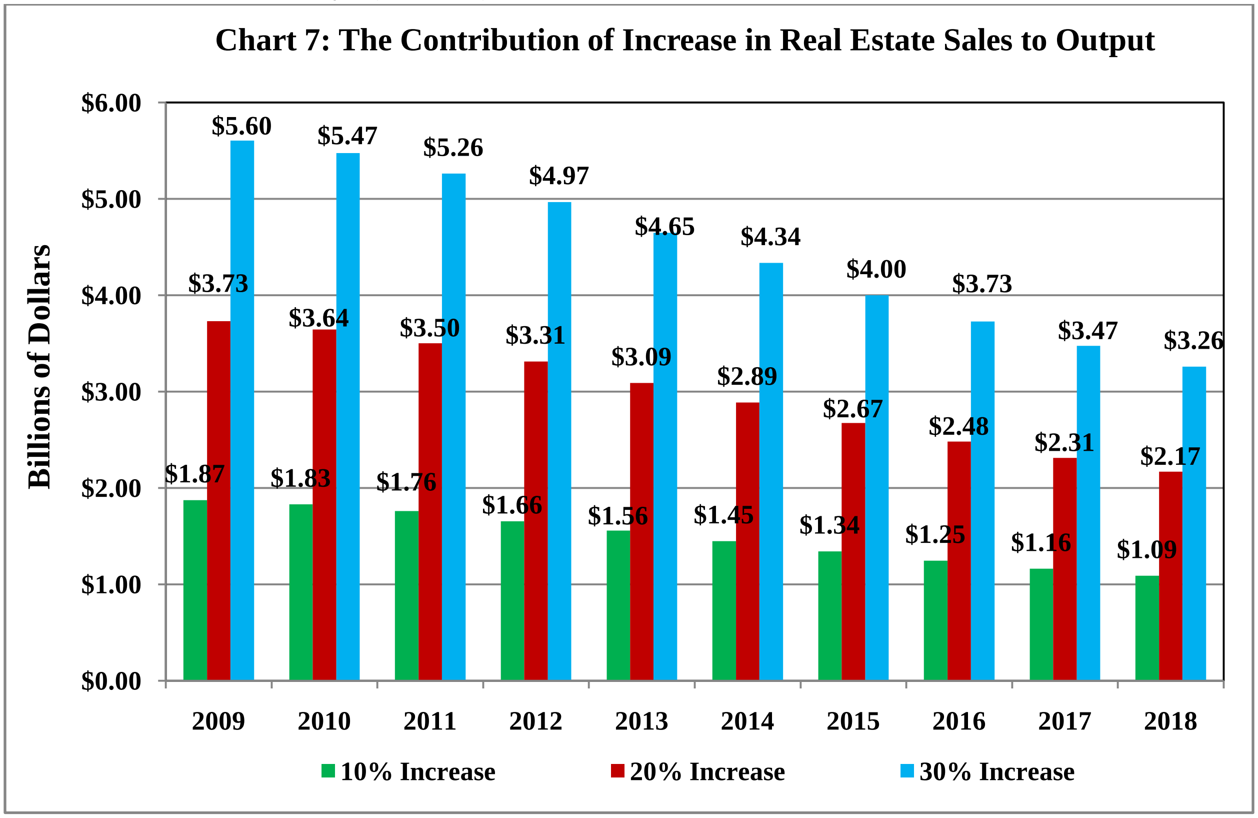


Source: Florida TaxWatch REMI Analysis (March 2009)

Charts 6 and 7 present the contributions of the additional real estate sales by foreign buyers to the Gross State Product (GSP) and output, respectively. GSP is a measure of *final* goods and services produced in the state, while output is a measure of both final and *intermediate* goods and services produced in the state. The model estimates that the total contribution to state GSP from the retirement visa will range from $1.1 billion to $3.3 billion in 2009. The model predicts that the total contribution over ten years might reach $25 billion. The contribution to output (total sales) is estimated to be $1.9 billion in 2009 and $1.1 billion (in 2009 dollars) in 2018 according to Scenario 1. The contribution will be much higher according to Scenario 3, ranging from $3.3 billion in 2009 to $1.1 billion in 2018.

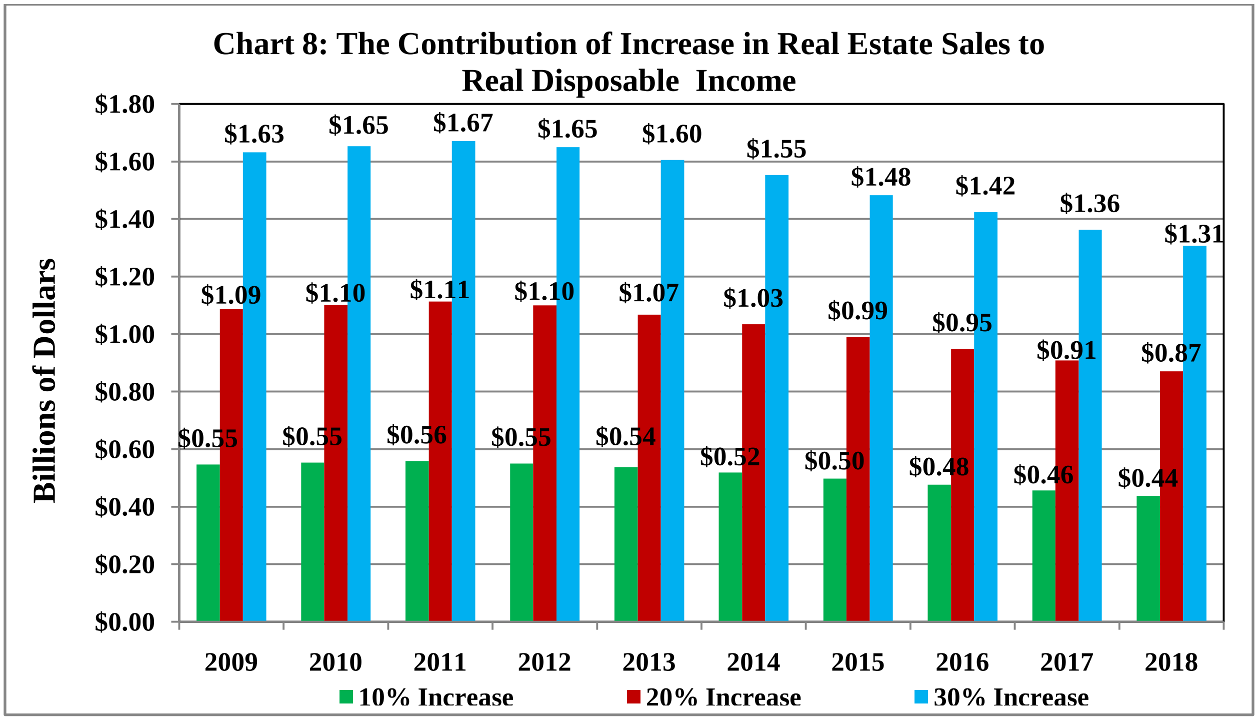


Source: Florida TaxWatch REMI Analysis (March 2009)



Source: Florida TaxWatch REMI Analysis (March 2009)

Chart 8 shows that the total contribution to real personal disposable income (wage and salary) will range from $0.6 billion to $1.6 billion in 2009 and $0.4 billion to $1.3 billion in 2018.

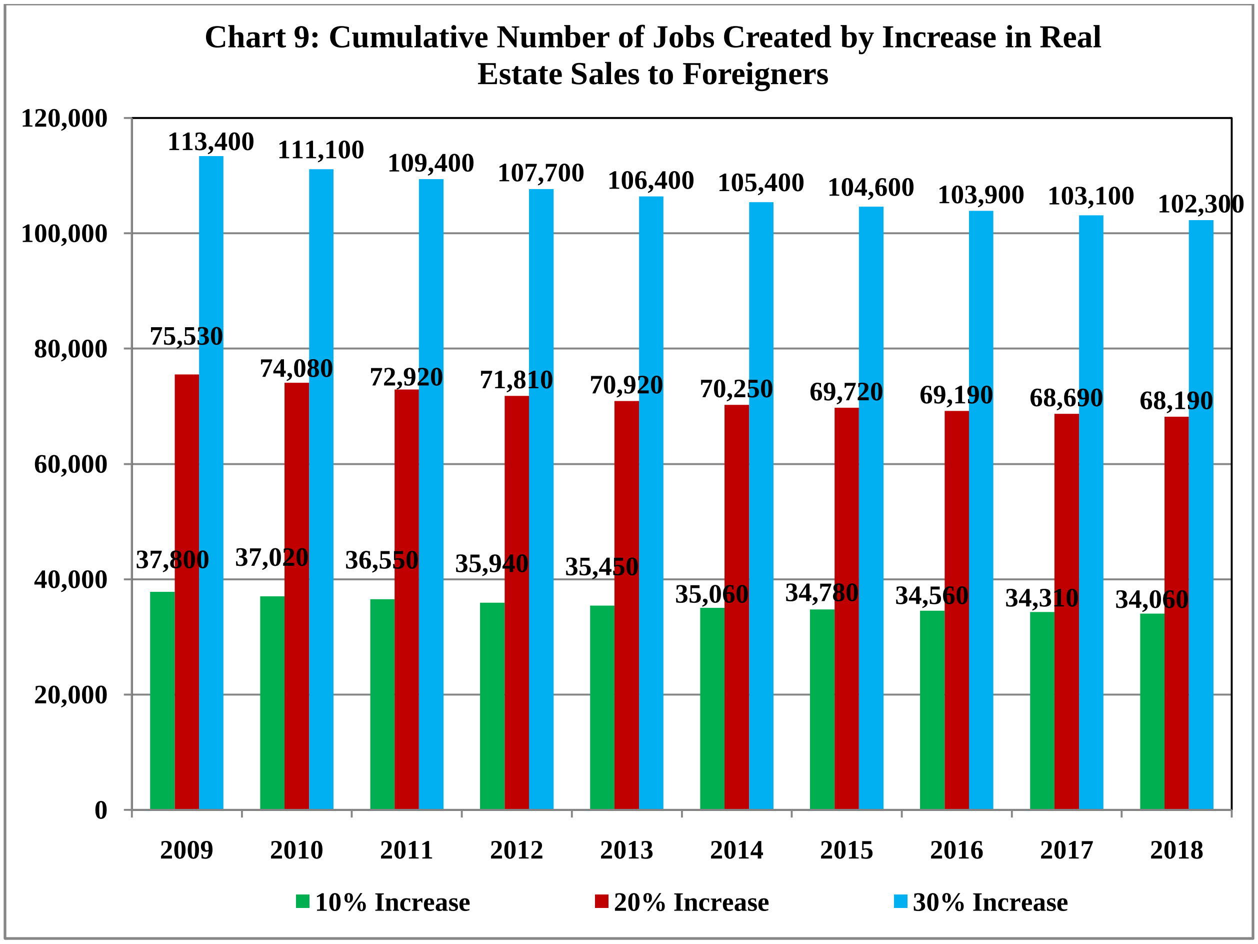


Source: Florida TaxWatch REMI Analysis (March 2009)

The Economic Benefits of Establishing a Retirement Visa for the United States

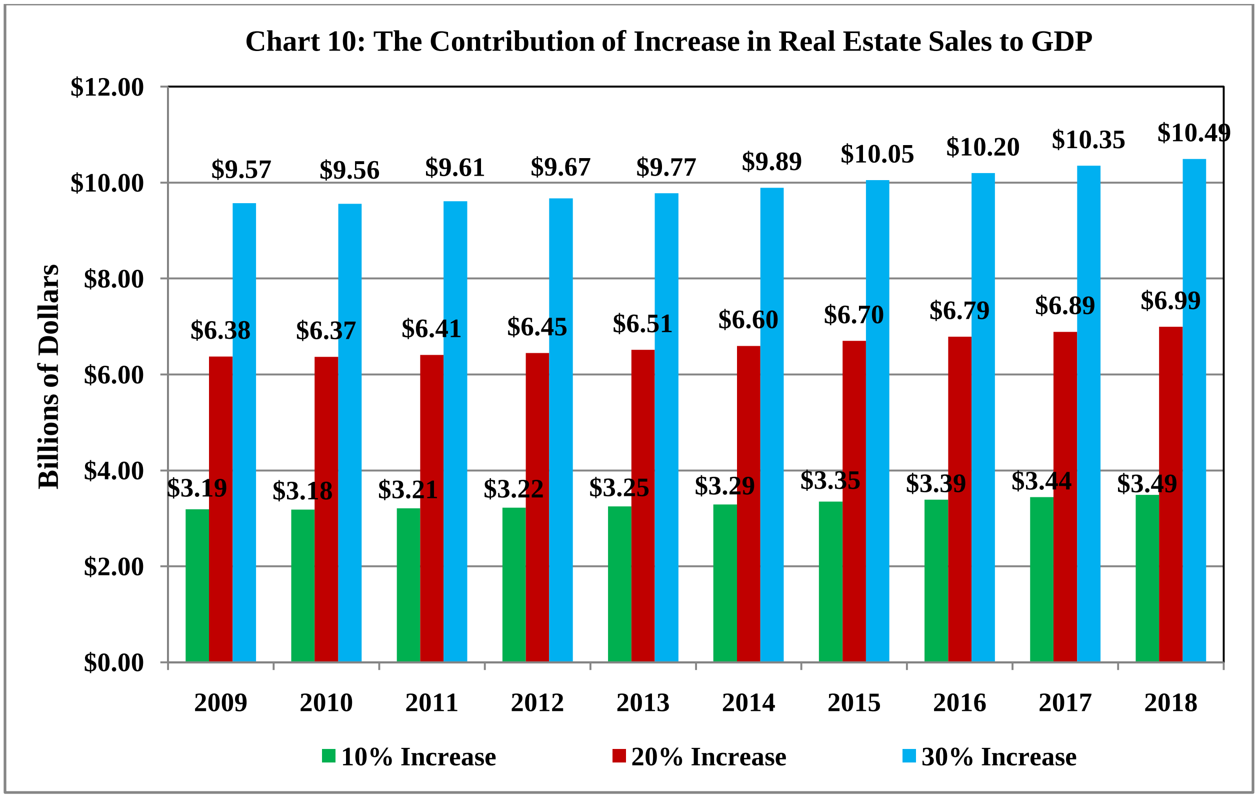
As discussed before, the impact of retirement visa on the housing market at the national level was estimated using three scenarios that assumed the current home sales to foreign buyers will increase by 10 percent to 30 percent. Using the share of foreign buyers in real estate sales, we increased the percentage value of current residential investment spending by 0.3 percentage points for Scenario 1, 0.6 points for the second, and 0.9 points for the third. The economic impact of this change was estimated through the REMI national model particularly designed for the United States.

As seen in Chart 9, the REMI model indicates that the retirement visa will create 38,000 to 113,000 jobs in 2009. Unlike the state model, the employment impact will be steady over time due to the assumption that a relatively small share of international sales activities in the housing market will not push the price upward. Therefore, an injection of equal amount into the housing market from the retirement visa could generate the same affect over time. For the ten years, the total number of jobs cumulatively created or supported by this additional investment in housing will range from 355,000 to more than 1 million jobs depending on which of the three scenarios is applied. In other words, on average, the retirement visa will create or maintain between 34,000 to more than 100,000 jobs on annual basis.

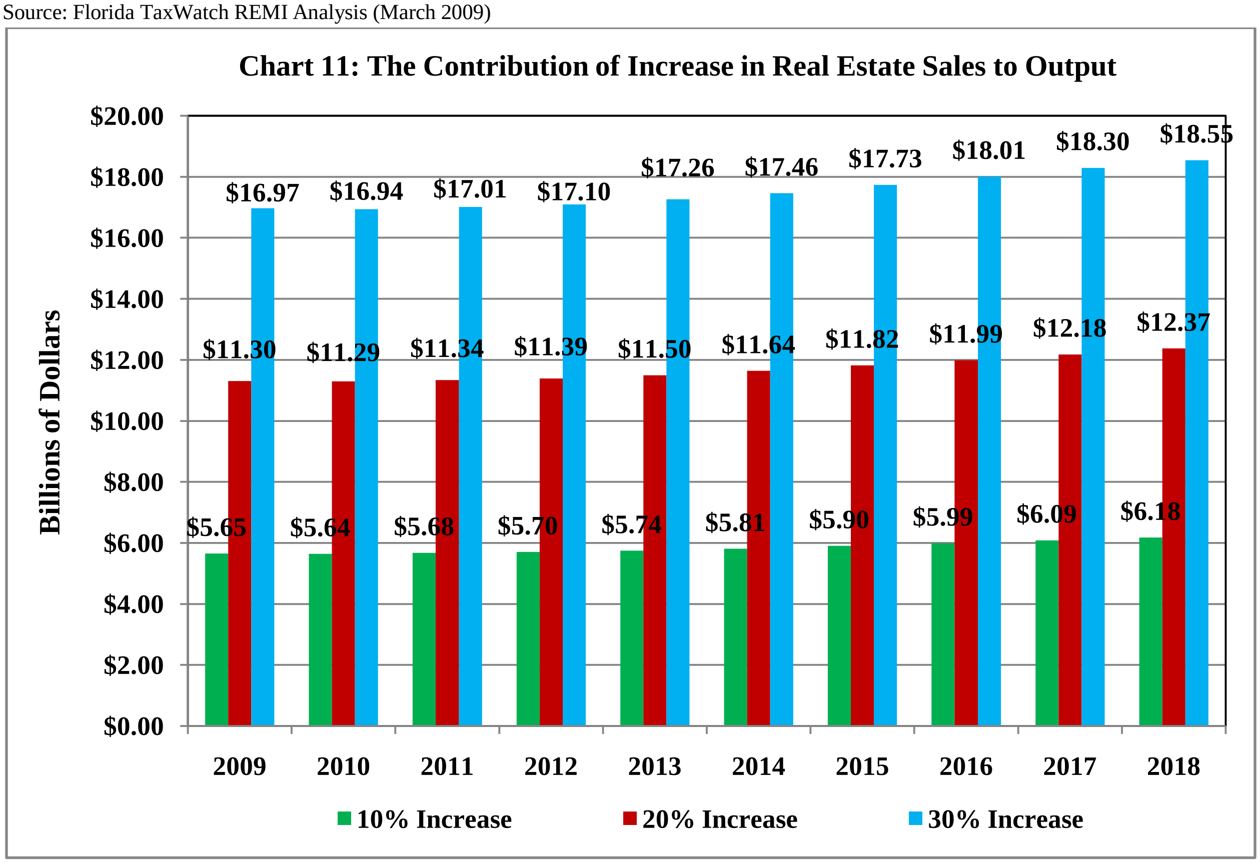


Source: Florida TaxWatch REMI Analysis (March 2009)

Charts 10 and 11 present the contributions by the additional real estate sales by foreign buyers to the national Gross Domestic Product (GDP) (which is national equivalent of GSP) and output, respectively. The model estimates that the total contribution to GDP from the retirement visa will range from $3.2 billion to $9.6 billion in 2009. The model predicts that the contribution will be over $10 billion per year within 10 years (after adjusting to 2009 dollars for inflation). The contribution to output (total sales) is estimated to increase from $5.7 billion in 2009 to $6.1 billion (in 2009 dollars) in 2018 according to Scenario 1. The contribution will be much higher according to Scenario 3, ranging from $17 billion in 2009 to $19 billion in 2018.

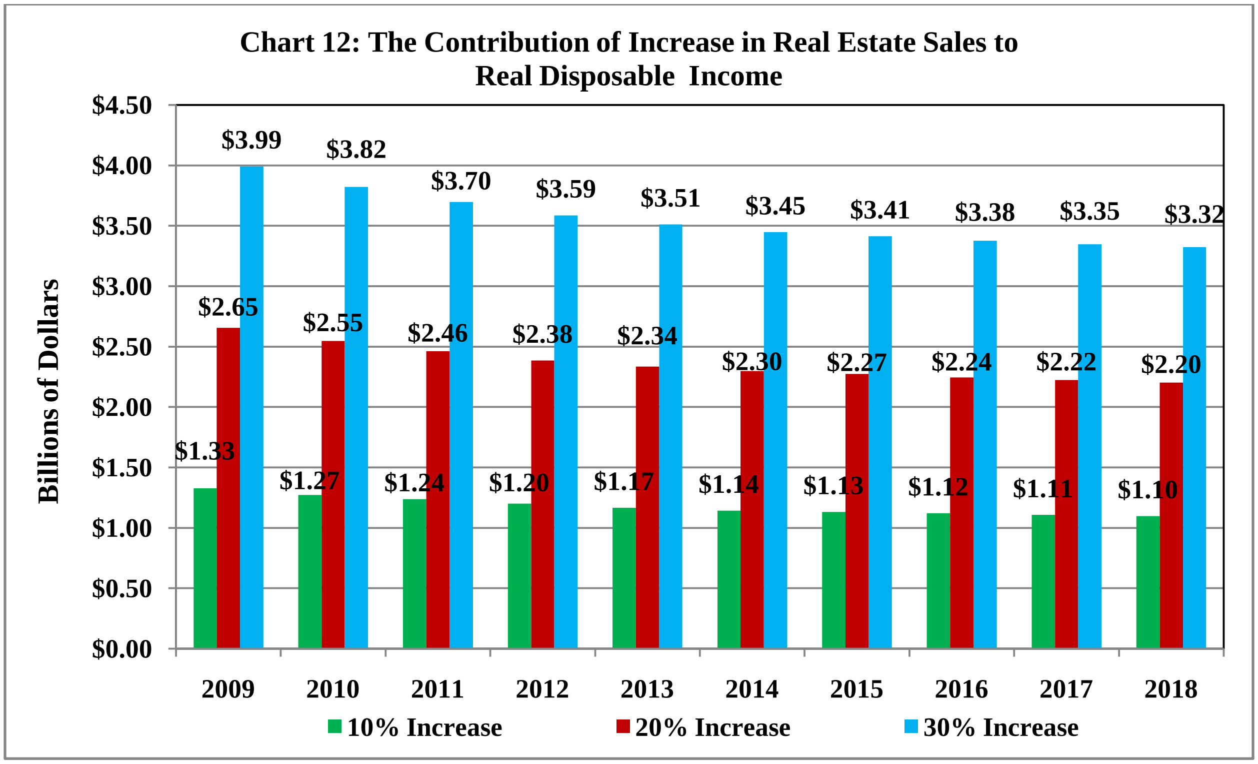


Source: Florida TaxWatch REMI Analysis (March 2009)



Source: Florida TaxWatch REMI Analysis (March 2009)

Chart 12 shows that the total contribution to the real personal disposable income (wage and salary) at the national level will range from $1.3 billion to $4 billion in 2009 and $1.1 billion to $3.3 billion in 2018.



Source: Florida TaxWatch REMI Analysis (March 2009)

Socio-Economic Concerns, Solutions, and Recommended Visa Requirements

Creating a new category of visas is never a simple undertaking. Americans generally reflect positively on foreigners coming to our country, recognizing them to be an economic benefit and international economic partners. However, based on a variety of polling data, Americans do not appear to consistently equate the economic benefit to foreigners coming to our shores. Apprehensions arise from the foreign utilization of American social programs, national and local security, impacts on the labor market, and the possibility that immigrants will not assimilate into the common practices of the U.S. (for example, learning to speak English).[20] In this section, we will briefly summarize some concerns raised by those who are against establishment of a long-term visa.

Sections 212 and 221(g) of the INA reflect these concerns and outline requirements for denying – or otherwise deeming ineligible – potential immigrants and non-immigrants a visa or

[20] Franzblau, Kenneth J. *Immigration's Impact on U.S. National Security and Foreign Policy*, Page 2 (1997). U.S. Commission on Immigration Reform. http://www.utexas.edu/lbj/uscir/respapers/ii-oct97.pdf, retrieved on 1-27-09.

admission into the United States.[21] Generally, Section 212 places limits/bases for visa rejection on the premises of:

- Health conditions
- Criminal record
- Security and related grounds
- If a person would become a burden to the public charge
- If they do not meet certain labor certifications and qualifications
- If they have been found to enter illegally or violated immigration laws

The United States Commission on Immigration Reform outlined a number of elements that should be included within any changes or amendments to immigration policies:[22]

- **Clear Goals and Priorities.** Sound policy must set out clear goals and give priority to the admission of those who best meet those goals.
- **Regular Periodic Review.** An effectively regulated system requires some flexibility with regard to numbers so as to permit adjustment as circumstances in the United States change.
- **Clarity and Efficiency.** Policies should not be overly complex. The mechanisms used to implement immigration policy should be efficient and comprehensible. The terms used should be as clear and self-explanatory as possible.
- **Protection of U.S. Workers.** Policies should provide protection to American workers against unfair competition.
- **Americanization.** Immigration policy is not credible without attention to English language training, civic education, and preparation for naturalization and effective citizen participation.

Impacts on Public Services and the Economy

Many opponents to immigration emphasize that an increase in foreigners will lead to an increased burden upon the social and public services and benefits paid by and provided to the taxpaying citizens of Florida and the United States. The common, underlying fear is that individuals that have not paid into the system will reap the benefits, thereby decreasing the availability of these services to Americans that may need them, or drive up the governmental cost of such services unnecessarily.

> Since Congress passed the first immigration law in 1882, it has been a basic tenet of American immigration policy that legal aliens should not be eligible for public aid. Immigration officials are charged with being certain that immigrants will be self-supporting before they can be admitted to the United States. Moreover, for

[21] Classes of Aliens Ineligible to Receive Visas, http://travel.state.gov/visa/frvi/ineligibilities/ineligibilities_1364.html, retrieved on 1-29-09

[22] Ibid

over 100 years, immigration law has stated that becoming a public charge is cause for deportation.[23]

In an ongoing attempt to prevent these possibilities from becoming a reality, a number of federal laws have been implemented and updated to ensure that such perceived abuses do not occur:

- Illegal Immigrant Reform and Immigrant Responsibility Act of 1996 (IIRIRA): Most of this law focuses its requirements and limitations on illegal immigrants; but Section 531 of the IIRIRA lists provisions relating to the exclusion of individuals deemed likely to become a public charge.
- Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PROWRA): This law was directed mainly at U.S. citizens as an attempt at reforming various welfare requirements and limitations, but also eliminated benefits to most legal immigrants. For example, many legal immigrants, including children, became ineligible to receive food stamps. The exceptions to this rule would be those individuals deemed refugees, veterans, than who meet certain age/residency requirements, or are current legal residents.
- The Welfare Transformation Act of 1995: This act made aliens other than "qualified" aliens ineligible for Federal public benefits such as grants, contracts, loans, licenses, retirement, welfare, health, disability, housing, food, unemployment, postsecondary education, and more.

The issues of age and finances are not mutually exclusive when considering the potential impacts that foreign retirees can have on the economy and the public services offered by Florida and the U.S. Offering options, based on a tiered system of age and financial stability, is vital to the success and sustainability of prospective visa applicants. If younger individuals find themselves at a point where they are able to retire and desire to do so in Florida, there should not be a barrier to their potential contribution to the economy simply because of age. However, due to the increasing costs of living that will be experienced during the expanding life expectancy of individuals within the U.S., it is integral to the foreigner's continued presence within the U.S. that they are able to support themselves over the long run:

1) Return to their home country when their funds are depleted;
2) Attempt to find work within the U.S. (not be allowed under the proposed retirement visa); or
3) Become a burden of the state (also not allowed under the proposed visa).

Therefore, a primary determinant of an applicant's eligibility for the proposed visa should be their ability to sustain a lifestyle that they desire within a tiered system of investment and income that is based on age and life expectancy. The income and investment are somewhat mutually exclusive – in that the income should be considered separately from the investment. This stance is founded on the idea that an individual wishing to retire here should be required to purchase a

[23] *Summary of Welfare Reforms Made by Public Law 104-19*. Report to U.S. House of Representatives Committee of Ways and Means, 104th Congress (November 6, 1996).

residential home – be it a detached single-family home, condominium, townhome, or some other dwelling – in which they plan to remain for an extended period of time. It is during this extended period of time that the individual will require a significant amount of financial self sustainability, should they wish to remain within the country for a long time (with the necessity for financial support increasing as age decreases and the number of dependants increase).

The initial investment will assist the ailing housing market by reducing inventory levels to what would be considered normal (among other things) and adding a critical infusion of foreign (often times) cash and investment dollars directly into the economy. The continued presence and living expenditures of these individuals will improve the job market (as these individuals will create an increased demand for goods and services) and contribute to the cultural diversity of the locations in which they decide to settle.

Specific levels of investment, income, and domiciliary timeframes should be determined by policymakers in Congress; however the median home price of the area into which the retiree is choosing to reside should be set as a general minimum investment requirement. The conditions should be created in such a way that there is a significant financial requirement at all levels of age that ensures a positive economic impact, but not to the point that it would create a disincentive for foreigners to retire here. Based on examples of other countries' requirements, the predetermined level of income may be based on either a monthly or annual basis and should be markedly higher than the poverty level for the state in which the foreigner chooses to reside.

Insurance

As in a number of other countries, retirement visas should include a prerequisite mandating that an individual have insurance that is valid in the United States. This insurance is generally referred to as expatriate insurance;[24] however these individuals should not be barred from purchasing insurance through a company based in the United States. The insurance requirement should not be limited to simply health insurance, but should also include an array of other insurance requirements that include, but may not be limited to, automobile, property and casualty, and life insurance policies. At minimum, all policies should be required to be purchased in accordance with minimum requirements enacted by the state(s) in which the foreign visitor has chosen as their home.

Property insurance is usually a requirement for the purchase of a home when using a mortgage. But, as was demonstrated in an earlier section of this report, foreigners are increasingly paying cash for their homes. Under these circumstances, it is difficult to require a foreign outright purchaser to obtain homeowner's insurance. However, there should be information provided regarding the liability and potential financial impacts of the loss or damages associated with the home being purchased. For example, if purchasing a home in Florida in cash, a brochure should

[24] Expatriate Insurance: policies that are designed to cover financial and other losses incurred while living and working in a country other than one's own.

be supplied to the individual buying the property that explains to the potential hazards of weather-related phenomena (such as windstorm, flooding, or fire), as well as potential liability for any injuries or casualties suffered on that property. This precaution is especially important for those purchasing a home in Florida – in the event of a catastrophic storm, it would be unfortunate for these individuals to lose their home, not be able to rebuild, and then decide to return to their homeland.

Impact on the Labor Market and Wages

Jobs are a precious commodity in the current economy and the idea of foreigners coming in to the country to fill positions that might otherwise be occupied by domestic workers is a sensitive issue.

- An article written by George J. Borjas, published in May of 2004 by the Center for Immigration Studies,[25] concludes that immigrants of all educational backgrounds decrease the wages of native-born workers.
- There has been a negative impact on weekly wages at all levels of educational attainment and years of experience.[26]
- The limits and quotas placed on visas are required, by economic theory, in order to maintain sufficient levels of jobs and wages for domestic workers. The data also points to the theory that all levels of educational attainment in the workforce are adversely affected, but that these impacts are less dramatic.

The proposed visa is meant for retirees who are not part of the labor market. As such, it is implied that these individuals who have attained a certain level of income would be preempted from the necessity of employment. Therefore, under the proposed visa guidelines, those individuals that seek a retirement visa should be barred from working in the United States.

It is important to highlight the fact that **these individuals would generate jobs and wages, while providing a boost to local, state, and national economies through taxes and spending** –e.g., the construction of new homes, consumption-related living expenses, or from vacation/entertainment expenditures.

Conclusion

Florida’s economy has relied on the housing market for decades. However, the depressed housing market is one of the critical challenges of the current economic crisis. Therefore, the creation of a retirement visa would likely help our nation and state economies rebound by inviting investors to aid in the recovery of the depressed housing market.

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[25] Borjas, George J. *Increasing the Supply of Labor Through Immigration: Measuring the Impact on Native-born Worker*; Center for Immigration Studies (2004). Available at http://www.cis.org/articles/2004/back504.html, retrieved on 2-2-09.
[26] *ibid*; Table 2.

The chart below summarizes the results of econometric analysis performed by FTW estimating the contributions of a retirement visa to the economies of Florida and the U.S. as whole.

Estimated Contributions to Respective Economies Over Ten Years if the Proposed Visa is Implemented				
	Jobs	**GSP/GDP (In 2009 Dollars)**	**Output (In 2009 Dollars)**	**Personal Real Disposable Income (In 2009 Dollars)**
Florida	113,000 – 339,000	$9.1 B / $7.3 B	$15 - $44.7 B	$6.7 B - $15.4 B
United States	355,000 – 1 million+	$33 B / $99.2 B	$58.42 B - $175 B	$11.8 B - $35.3 B

Source: Florida TaxWatch REMI Analysis (March 2009)

The additional investment in the housing market created by a retirement visa could potentially create or sustain 113,000 - 339,000 jobs in Florida, according to Florida TaxWatch REMI analysis. The study also shows that a retirement visa could potentially generate an additional $25 billion in GSP, as much as $44.7 billion in additional output (total sales), and as much as $15.4 billion in additional real disposable income (wage and salary) for Floridians by 2018.

The U.S. and Florida economies need to be afforded every possible advantage in the global marketplace. Foreign dollars are "new" dollars that can act as a catalyst to spur growth and economic expansion within our borders. An injection of capital investment from abroad into the U.S. and Florida real estate markets has the potential to shorten the duration of the current recession by creating new jobs and substantially increasing GSP/GDP output. The real estate sector can serve as an avenue through which this resurgence can be achieved and more money can be put into the pockets and households of Americans.

Florida TaxWatch acknowledges the support of the Florida Association of REALTORS®, which helped make is research study possible.

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Appendix A

Examples of Countries with Retirement Visas						
Country	**Visa Type**	**Age**	**Income**	**Insurance**	**Investment Level**	**Time Limits on Stay**
South Africa	Retirement Visa/Permit		20,000 Rand/Month			4-yr spans
Indonesia, Republic of	Retirement Visa	55 yrs or older	$1,500/month (US)	Life & Health Insurance	Purchase home at least $35,000 (US); Monthly Rent at least $500-$200 (US) (Depending on location)	Annual renewal up to 5 times; then 5 year citizenship (KITAP)
Thailand	Non-Immigrant "O" Visa	50 yr or older	THB 800,000 in Thai Bank, THB 65,000/month or combination of (Bank Account + Income * 12 = THB 800,000)			Renew Annually
Australia	Investor Retirement Visa Subclass 405	55 yrs or older	$50,000 - $60,000/year (AUS)	Required prior to entry	$500,000 - $750,000 (AUS)	4-yr spans
Panama	Pensionado Visa	18 yr old (50 if Private Pension)	$500/month (Plus $100/dependent)			
Panama	Person of Means Visa				1) $200,000 real estate 2) $200,000 local bank deposit (2-yr fixed-term) 3) $80,000 real estate & $120,000 deposit)	
United Kingdom*	Retired Person of Independent Means Visa	60 yrs or older	£25,000/yr			
Spain	Residence Visa for Non-Lucrative Purposes		$75,000/yr	Proof of coverage valid in Spain	Purchase House in Spain	
Spain	Retirement Visa		$10,000/yr (Plus $1,700/ dependent/yr)			
Mexico	FM-2 Pensioner Visa		Higher than FM-3			Apply for citizenship after 5 years
Mexico	FM-3 Rentista Visa		About $1,000/month (Plus $500/month/dependent)			One year renewable

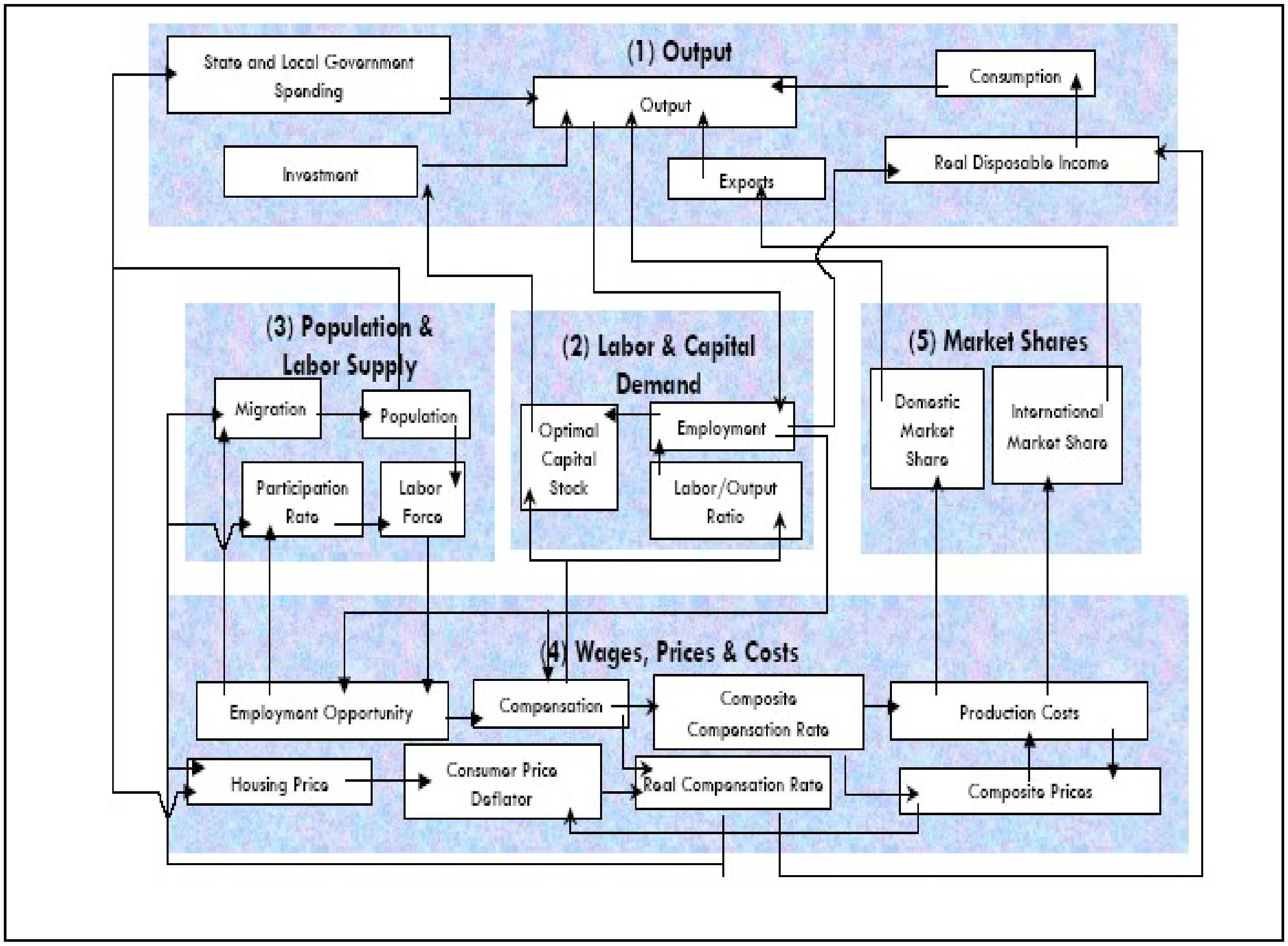
*Discontinued in 2008, http://www.ukba.homeoffice.gov.uk/sitecontent/newsarticles/retiredpersonsroute Last Retrieved 2-2-09

Sources for Appendix A:

Country	**Website**	**Last Retrieved**
South Africa	http://www.sami.co.za/retirementpermitsouthafrica.htm	1/20/2009
Indonesia	http://www.indonesian-embassy.de/en/consular_immigration/retirement-visa.htm	1/20/2009
Thailand	http://www.thaiembdc.org/consular/visa/Non-Imglong.aspx	1/20/2009
Australia	http://www.immi.gov.au/visitors/special-activity/405/	1/20/2009
Panama	http://www.internationalliving.com/Countries/Panama/Visa and http://www.panamalaw.org/panama_pensionado_visa.html	1/20/2009
United Kingdom	http://www.ukba.homeoffice.gov.uk/sitecontent/documents/policyandlaw/borderforce/categoriesofpassenger/retiredpersonsofindependent.pdf?view=Binary	1/20/2009
Spain	http://www.consulate-spain-chicago.com/residence.htm	1/20/2009
Mexico	http://mexretire.com/life/visas	1/20/2009

Appendix B: Additional Information about the REMI Model

Regional Economic Models, Inc. of Amherst, Massachusetts developed the REMI model in 1980[27]. It specifies commodity-trade and personal-income flows between regions creating long-term portraits of regional economic growth. The model consists of five basic blocks as seen in the chart below: (1) output, (2) labor and capital demands, (3) population and labor supply, (4) wages, prices, and profits, and (5) market shares.



Source: www.remi.com

Production is categorized into 49 non-farm, private industries (primarily at the two-digit S.I.C. level), three government sectors, and the farm sector. Economic relationships are given by an industry-based input-output component combined with an econometric component. The econometric specifications are derived from economic theories that are generally neoclassical in nature. The model is dynamic, enabling it to be used both as an impact model and a tool for forecasting.

The REMI model, as Bolton (1985) states in a review of econometric models, "is a world apart in complexity, reliance on inter-industry linkages, and modeling philosophy" from other

[27] For more information about REMI, please visit: www.remi.com/

econometric models. It may be seen as an eclectic model that links an input-output model to an econometric model. In this way, if econometric responses are suppressed, the model collapses to an input-output model.

REMI uses three sources of employment and wage and salary data: (1) Bureau of Economic Analysis (BEA) employment, wage and personal income series; (2) ES-202 establishment employment and wage and salary data; and (3) County Business Patterns (CBP) data published by the U.S Census Bureau. The BEA data are annual averages reported at the two-digit level for states and one-digit for counties. The ES-202 data, which are the foundation for BEA data, are collected monthly in conjunction with the unemployment insurance program at the two-digit level for counties and states. CBP data are collected in conjunction with Social Security programming in March of each year. Output measures are based on regional employment data, the BEA Gross State Product series, and national output-to-employment ratios.

REMI begins by applying the national output-to-employee ratio to employment by industry. This application is adjusted by regional differences in labor intensity and total factor productivity. Regional differences are given by industry production function and unit factor costs. Total factor productivity calculations depend on industry value added in production reported in real U.S. dollars by BEA and on adjustments by REMI to the BEA numbers.

REMI is a widely used, dynamic, integrated input-output econometric model. The model's structure incorporates inter-industry transactions and final demand feedbacks. REMI is used extensively to measure proposed legislative and other program and policy economic impacts across the private and public sectors. The Florida Legislative Office of Economic & Demographic Research, the state Agency for Workforce Innovation, and other state and local government agencies use REMI extensively to measure economic impacts of proposed legislative and policy proposals. In addition, REMI is the chosen tool to measure these impacts by a number of universities and private research groups that evaluate economic impacts across the state and nation. REMI has been widely used to model the economic impacts of property and sales tax analyses.[28]

The REMI model used for this analysis was specifically developed for the state of Florida (using the latest 2004 data), and includes 169 sectors. In addition to accounting for economic variables (production, spending, employment) REMI also accounts for labor force, population (migration, births, deaths) and fiscal impacts. REMI's principal advantage is that it is a dynamic input-output econometric model, and can be used to forecast both direct and indirect economic effects over multiple-year time frames.

[28] See tax-specific publications on the REMI website: www.remi.com

About Florida TaxWatch

Florida TaxWatch is a nonpartisan, nonprofit research institute that over its 30-year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its purpose is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies and programs. The three-pronged mission of Florida TaxWatch is to improve taxpayer value, government accountability, and citizen understanding and constructive participation in their government.

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