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## The costs of a business 'death penalty'

**Illegal immigration won't be stopped by it.**

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**Indiana state Sen.** Mike Delph, R-Carmel, has introduced legislation to control illegal immigration by punishing businesses that repeatedly hire them. Alex Nowrasteh of the libertarian Cato Institute warns that, based on experience in other states, the law would do little to deter illegal immigration while imposing big costs on Indiana's economy.

It's a fair warning that should be used to carefully examine the proposal but not to scuttle it.

Delph's bill is similar to an immigration law passed in Arizona in 2007 called the Legal Arizona Workers Act (LAWA). Upon passage, then Gov. Janet Napolitano lauded it for including what she called the "business death penalty." That provision revokes the business licenses of firms who knowingly and repeatedly hire illegal immigrants.

The business death penalty, Nowrasteh says, immediately spooked investors and businesses out of the state: "A 2012 Cato Institute report found that Arizona's business death penalty caused a 14.3 percent decline in the start of new businesses in the third quarter of 2007. This, even while the rate of new businesses started in neighboring states actually increased."

In short, uncertainty over the business death penalty hurt the economy. He cites the case of restaurant entrepreneur Richard Melman, who halted plans to open a restaurant in Arizona after LAWA passed, saying: "You put in \$3 million or \$4 million, and you can be shut down for a mistake. Why take a chance? I want to see how it plays out."

Furthermore, Delph's bill offers a "deal with the devil for companies afraid of the business death penalty." If a business uses E-Verify to screen all of its hires then it is legally immune from the death penalty. E-Verify is a federal government-run program that is supposed to turn off the so-called "jobs magnet" so that illegal immigrants would not have a reason to come in the first place.

But E-verify is a faulty system that sometimes misidentifies citizens as illegals. And it's expensive. Because of the legal expenses, businesses on average bear a \$147 cost per E-Verify check.

Yes, legitimate concerns. But keeping illegal immigrants out of the employment system is the key to keeping them out of the country. At least Delph is trying to do something about it, and fellow legislators should help him with improving the proposal.

