

## EB-5 Immigrant Investor Visa Program

A Greenfield Advisors White Paper  
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The Employment-Based Immigration Program is one of the United States' citizenship and immigration services administered by the U.S. Department of Homeland Security. EB-1 through EB-4 each provide a method for foreign workers, with particular skills and education, to obtain permanent work visas in the United States. EB-5, created in 1990, is a special case that provides work visas for individuals who invest their own money into job-creating U.S. enterprises.

Why is this program important? Consider a wealthy Chinese industrialist who has decided to open a plant in Texas that will make titanium drill bits. The plant will employ 50 people, and even though there will be several managers on the factory floor, the Chinese owner expects to move to Texas to oversee the operations. The EB-5 Immigrant Investor Program makes such a move possible.

Yet, the significance of the program extends beyond a "form and file" function. In the last several years since the recession, the economy has recovered at a frustratingly slow pace. No matter how the top indices (Dow Jones, S&P 500) move, economic analysts, such as Greenfield Advisors, consider job growth to be one of the best "gauges" for measuring economic health. Truly, domestic job growth is the primary concern of many Americans, and it weighs heavily on our investing, purchasing, and voting decisions. Perhaps this is a "chicken versus the egg" conundrum, but job growth is typically fueled by increased consumer spending, and consumer spending is typically driven by employment.

Let's consider an analogy: Imagine a car battery that has lost its charge (much like the economy, which has lost its job-creating 'charge'). If the engine is running and the car has a functioning alternator (the device that recharges the battery with energy from the engine), then the battery will stay charged. Yet, if the battery is dead, then the engine cannot start, and the battery cannot be charged. In this event, another friendly motorist with jumper cables is needed to get the car back on the road.

Through the EB-5 program, investment capital comes into the United States and, ideally, provides a "jump start" by creating new jobs. Unlike passively invested capital (e.g., a wealthy individual who invests in a United States mutual fund), which rarely has a direct influence on employment, the EB-5 program stipulates that investments must directly result in a measureable number of new jobs. In fact, EB-5 is very specific in this regard. According to U.S. Citizenship and Immigration Services (<http://www.uscis.gov>):

*All EB-5 investors must invest in a **new commercial enterprise**, which is a commercial enterprise:*

- *Established after Nov. 29, 1990, or*
- *Established on or before Nov. 29, 1990, that is:*
  1. *Purchased and the existing business is restructured or reorganized in such a way that a new commercial enterprise results, or*

*2. Expanded through the investment so that a 40-percent increase in the net worth or number of employees occurs*

Further, a “commercial enterprise” is defined as a for-profit, lawful business activity such as a

- *Sole proprietorship*
- *Joint venture*
- *Corporation*
- *Business trust or other entity, which may be publicly or privately owned*

To meet the job creation requirement, the commercial enterprise must

- *Create or preserve at least 10 full-time jobs for qualifying U.S. workers within two years (or under certain circumstances, within a reasonable time after the two-year period) of the immigrant investor’s admission to the United States as a Conditional Permanent Resident.*

The program has very specific requirements regarding the nature of the investment capital:

- Investment capital cannot be borrowed.
- The minimum qualifying investment in the United States is \$1 million.
- The minimum qualifying investment within either a high-unemployment area or a rural area in the United States is \$500,000.

This should hardly be seen as a comprehensive study of the EB-5 program’s functionality and economic implications. At its core, EB-5 promotes capital investment into the United States, and investments are never free from risk. Further, properly measuring job growth (through economic impact studies) requires a great deal of experience and work. Nevertheless, this program is an excellent opportunity for both foreign entrepreneurs seeking entre into one of the best economies in the world, and domestic entrepreneurs seeking a unique source of angel investment dollars.