

It's Tax Time! Immigrants and Taxes: Contributions to State and Federal Coffers

Tax Day would seem to be an appropriate time to inject some bottom-line reality into the long-running debate over whether or not immigrants in the United States “pay their own way” as taxpayers. As with nearly all aspects of the immigration debate, the controversy over how immigrants impact the public treasury is far too often dominated by emotionally charged rhetoric rather than hard facts. Many of these much-needed facts are provided in a forthcoming report from the Immigration Policy Center by Stephen Moore, Senior Economics Writer at the *Wall Street Journal* and former director of Fiscal Policy Studies at the Cato Institute, and Richard Vedder, Distinguished Professor of Economics at Ohio University. Using data from the U.S. Census Bureau’s 2005 Current Population Survey and other sources, Moore and Vedder find that immigrants not only pay their own way in taxes, but play a hefty role in shoring up the teetering Social Security system, and provide a fiscal windfall to U.S. taxpayers by tending to come to the United States during their prime working years—*after* the costs of their education and upbringing have been borne by their home countries. Among the report’s findings:

- **Immigrant Households and Businesses Generate Billions:** In 2005, immigrant households and businesses paid approximately \$300 billion in federal, state, and local taxes: \$165 billion in federal income taxes, \$85 billion in state and local income taxes, and \$50 billion in business taxes.
- **Immigrants Pay More in Taxes Than They Use in Services Over Their Lifetimes:** Depending on skills and level of education, each immigrant pays, on average, between \$20,000 and \$80,000 more in taxes than he or she consumes in public benefits.
- **Immigrants’ Relative Youth Contributes To Social Security’s Health:** Current levels of immigration will provide a net benefit to the Social Security system of nearly \$450 billion in taxes paid over benefits received during the 2006-2030 period—and almost \$4.4 trillion during the 2006-2080 period. This is because 75 percent of immigrants arrive in the United States when they are in their prime working years (age 18 to 65). But the share of native-born citizens in their prime working years now stands at only 60 percent, and will decline rapidly over the coming decades as the Baby Boomers retire.
- **Immigrants Educated on Home Country’s Tab:** The roughly 26 million immigrants now in the United States who arrived when they were over the age of 18—*after* their upbringing and basic education were paid for in their home countries—represent a windfall to American taxpayers of roughly \$2.8 trillion. The United States receives all of the tax payments made by these immigrants, while bearing almost none of the costs of raising and educating them.

Several recent studies of the economic impact that immigration has at the state level have yielded similar findings:

- **ARIZONA:** A [2007 study](#) [1] by the University of Arizona’s Udall Center for Studies in Public Policy concluded that “the total state tax revenue attributable to immigrant workers was an estimated \$2.4 billion (about \$860 million for naturalized citizens plus about \$1.5 billion for non-citizens). Balanced against estimated fiscal costs of \$1.4 billion (for education, health care,

and law enforcement), the net 2004 fiscal impact of immigrants in Arizona was positive by about \$940 million.” Moreover, the “2004 total economic output attributable to immigrant workers was about \$44 billion (\$15 billion for naturalized citizens and \$29 billion for non-citizens). This output included \$20 billion in labor and other income and resulted in approximately 400,000 full-time-equivalent jobs.”

- **ARKANSAS:** A [2007 study](#) [2] by the Urban Institute found that “Arkansas immigrants had an estimated total after-tax income of \$2.7 billion in 2004. Approximately 20 percent of this was sent home to families abroad, saved, or used for interest payments. The remaining spending had a total impact on the state of \$2.9 billion...” In addition, “without immigrant labor, the output of the state’s manufacturing industry would likely be lowered by about \$1.4 billion—or about 8 percent of the industry’s \$16.2 billion total contribution to the gross state product in 2004.”
- **FLORIDA:** A [2007 study](#) [3] released by Florida International University found that the state’s “immigrant workers paid an estimated annual average of \$10.49 billion in federal taxes and \$4.5 billion in state and local taxes from 2002 to 2004.” The study concluded that “comparing taxes paid to assistance received shows that immigrants in Florida contribute nearly \$1,500 per year more than they receive” in Social Security, Supplemental Security Income, disability income, veterans’ benefits, unemployment compensation, Temporary Assistance to Needy Families, food stamps, housing subsidies, energy assistance, Medicare, and Medicaid.
- **NEVADA:** A [2007 report](#) [4] from the Progressive Leadership Alliance of Nevada found that Hispanic immigrants in Nevada paid roughly \$2.6 billion in federal taxes and \$1.6 billion in state and local taxes (including \$500 million in sales taxes) in 2005. According to the report, “the money that immigrants earn and spend in Nevada accounts for about 25% of the State’s Gross State Product” and “Hispanic immigrant employment, income and spending results in the creation of 108,380 jobs in Nevada.”
- **NEW YORK:** A [2007 study](#) [5] by the Fiscal Policy Institute concludes that “New York’s immigrants are responsible for \$229 billion in economic output in New York State. That’s 22.4 percent of the total New York State GDP, a share slightly larger than immigrants’ share of population, and slightly smaller than their share of the workforce.” Moreover, “immigrants in New York State are entrepreneurs, managers, and workers in jobs at all levels of the economy, from the lowest-paid day laborers to the highest-paid investment bankers.”
- **WASHINGTON, DC:** A [2006 study](#) [6] by the Urban Institute found that immigrant households in the Washington, D.C. metropolitan area “paid \$9.8 billion or 17.7 percent of total taxes paid by metropolitan-area residents in 1999–2000 (\$55.2 billion)...virtually the same as their share of the total population (17.4 percent)...” Approximately 72 percent of these tax payments went to the federal government.

The Immigration Policy Center also has published a [survey of local- and state-level studies](#) [7] that examine the costs and contributions of immigrants in communities throughout the United States.

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