

## Undocumented Immigrants in Georgia: Tax Contribution and Fiscal Concerns

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### Key Findings

- Using tax contribution calculations and estimates of average family income, we estimate that an average undocumented family in Georgia contributes between **\$2,340 and \$2,470** in state and local sales, income, and property taxes combined. An undocumented family that does not pay income taxes would have a sales and property tax contribution of between **\$1,800 and \$1,860**.
- With an estimated population of between 228,000 and 250,000 and an income tax compliance rate of 50%, the aggregate sales, income, and property tax contribution could total between **\$215.6 million and \$252.5 million** for Georgia's state and local coffers.

### Introduction

In recent months, Georgia legislators have proposed several bills to address the increasing concern over undocumented immigration into the state. The proposed legislation seeks to halt the growth of the undocumented population and ensure taxpayer dollars are not subsidizing that population through government services. By federal law, undocumented immigrants are restricted from receiving government services other than certain mandated services, such as K-12 education and emergency medical care. However, there is a belief among some Georgians that undocumented immigrants are abusing the system and receiving services from which they are restricted by federal law.

Media coverage of the proposed legislation has included much speculation on the cost of services for, and the contribution of taxes from, Georgia's undocumented population. Estimates on the cost of service provision often rely on data and studies from other states and include federally-mandated services, such as K-12 public education and emergency medical care. The cost of services that are not federally-mandated (or, those services the proposed legislation seeks to address) is not specifically estimated due to a lack of data. Similarly, the lack of data on the undocumented population causes tax contribution estimates to be difficult. It is easily agreed that the undocumented population contributes some level of taxes since certain taxes are hard to avoid; however, it is difficult to measure the aggregate tax contribution of the undocumented population.

While government services and tax data on the undocumented population in Georgia is quite limited, government agencies and research firms (notably, the Pew Hispanic Center) have estimates on the total size of the undocumented population in Georgia, as well as income estimates for undocumented families nationwide. Based on that data, the Georgia Budget and Policy Institute would like to offer an estimate of the tax contribution of undocumented immigrants in Georgia, as well as some observations on

discussions concerning the undocumented population. This estimate is not definitive, but rather attempts to provide an illustration of a potential taxpayer from the undocumented community.

## Undocumented Immigrant Tax Contribution

The tax contribution estimate will rely mainly on three pieces of data: Georgia's undocumented immigrant population, national undocumented immigrant income, and state and local tax payments by Georgians. It is assumed that for certain taxes a family's legal status does not affect the amount of taxes they pay. Thus, given the average income of an undocumented family, we can estimate the tax contribution based on the known tax payments of Georgia families. The three data pieces are from the following resources and include these assumptions:

1. Population: For 2000, the former Immigration and Naturalization Service estimated that there were 228,000 undocumented immigrants living in Georgia. A more recent estimate by Jeffrey Passel of the Pew Hispanic Center maintains that figure in the 200,000 to 250,000 range. Passel notes that Georgia's undocumented population is estimated to be towards the higher end of that range.<sup>1</sup> Our tax estimate will use a range of 228,000 to 250,000 for the undocumented population.
2. Income: Passel's findings, based on the March 2004 Current Population Survey, show that undocumented immigrants are more likely to be less educated than native citizens and legal immigrants and tend to concentrate in low-wage, low-skill jobs. Thus, it is not surprising that average family income of the undocumented population is lower than the average income for native citizens or legal immigrants. Passel estimates the average family income for undocumented immigrants to be \$27,400 in 2003. For those undocumented immigrants who have lived in the US for less than ten years, the average family income was \$25,700.<sup>2</sup> Both income figures will be used to provide a range of tax contributions.
3. Tax Payments: To estimate the tax contribution in Georgia, we will rely on state and local tax payment data from the Institute on Taxation and Economic Policy (ITEP), a nonprofit research organization that provides tax information to state policymakers and others. ITEP maintains a model of tax structures and how those structures affect different income groups for each state. ITEP's tax payment calculations for the population as a whole provide a means for estimating the tax contribution of the undocumented population.

This holds for only certain taxes however, as the compliance rate varies for the documented and undocumented populations. Since the sales tax is automatic, residents of similar income should pay similar shares of income in sales taxes. Property taxes, especially those incorporated into rent prices, are similarly hard to avoid. GBPI only uses those property taxes which are incorporated into rent since the large majority of undocumented immigrants are assumed to be renters. Income taxes, however, might be less comparable for the documented and undocumented populations as the compliance rate for undocumented immigrants is questionable. Studies have shown numerous income tax compliance rates for that population, several ranging from 50% to 70%. For this reason, GBPI will use the conservative compliance rate of 50% and make an estimate for an undocumented family paying sales, property, and income taxes and another family paying only sales and property taxes. The aggregate tax payment calculation will rely on sales and property taxes, as well as income tax with a 50% compliance rate.

Using ITEP's tax payment calculations and estimates of average family income, we estimate that an average undocumented family in Georgia contributes between **\$2,340** and **\$2,470** in state and local sales, income, and property taxes combined. An undocumented family that does not pay income taxes would have a sales and property tax contribution of between **\$1,800** and **\$1,860**. With an estimated population of between 228,000 and 250,000, the aggregate sales, income, and property tax contribution could total between **\$215.6 million** and **\$252.5 million** for Georgia's state and local coffers.

## Observations

1. The question lawmakers attempt to answer is: Do undocumented immigrants pay enough in taxes to cover the services used? For undocumented immigrants, the answer is unclear. However, for legal immigrants, studies have shown that first generation immigrants pay more in federal taxes than they receive in federal benefits. The same does not hold true for state taxes and services, however, as first generation immigrants often use more in services than they pay in taxes. However, the descendants of the first-generation immigrant correct that pattern and contribute more in taxes at both the federal and state level than they consume in services at both levels. Each generation successively contributes a greater share due to increased wages, language skills, and education.

According to the 2005 *Economic Report of The President*, “a 1997 study found that the net present value of immigrants’ estimated future tax payments exceeded the cost of services they were expected to use by \$80,000 for the average immigrant and his or her descendants.”<sup>3</sup> However, the report notes that estimates such as these do not apply to undocumented immigrants. It notes that, “more than half of undocumented immigrants are believed to be working ‘on the books,’ so they contribute to the tax rolls but are ineligible for almost all Federal public assistance programs and most major joint Federal-state programs.”<sup>4</sup>

2. For those undocumented immigrants who are consigned to low-wage jobs, they cannot contribute a high dollar amount in taxes. However, like other low-income workers, low-wage undocumented immigrants presumably contribute a considerable amount in taxes as a share of income through the sales and property tax system.

3. While upcoming legislation seeks to restrict undocumented immigrants from government services, the majority of services are already restricted by federal law. The following is a list of assistance programs for which undocumented immigrants do not qualify:

- Food stamps
- Social Security
- Supplemental Security Income
- Temporary Assistance for Needy Families (TANF)
- Full-Scope Medicaid
- Medicare “Premium Free” Part A (hospitalization)
- PeachCare (Georgia’s children’s health insurance)
- HUD Public Housing and Section 8 programs

Undocumented immigrants do qualify for K-12 public education and emergency medical care.

4. Legislators have speculated that the cost of services to undocumented immigrants could total or exceed \$1 billion annually. According to media reports, this number is based on a report of the cost of services to undocumented immigrants in Florida by the Federation for American Immigration Reform (FAIR).<sup>5</sup> FAIR’s study found that the cost of services to undocumented immigrants in Florida was \$2 billion, or \$1 billion when offset by undocumented immigrants’ tax contributions. There are several reasons this estimate is an inadequate comparison for Georgia, including:

- First and foremost, Florida’s costs should be much greater than Georgia’s based on population. FAIR estimates that Florida’s undocumented immigrant population is 630,000. A more recent estimate by the Pew Hispanic Center places the Florida undocumented population at 850,000, compared to 200,000 to 250,000 in Georgia.
- In addition, the FAIR estimate has the questionable inclusion of K-12 education for U.S. citizens if their parents are undocumented immigrants. The FAIR study bases its methodology on a 1994 Urban Institute study; however, it significantly diverges from the original methodology by including education costs associated with citizen children of undocumented parents. In 1994, the Urban Institute estimated that the cost of services (education for

undocumented children only, health care, and corrections) for the Florida undocumented population was approximately \$465 million, or \$188 million net of tax payments.<sup>6</sup> In updating those costs, FAIR included an additional \$840 million for the education of citizen children born to undocumented parents. This \$840 million in education costs represents 46% of the total \$2 billion of FAIR's estimated service costs for Florida's undocumented immigrants (that is, without consideration for taxes).

5. One specific area where claims are often made regarding state spending on behalf of undocumented immigrants is Medicaid, as federal law requires states to cover emergency services for low-income immigrants, regardless of citizenship status. According to data from the Department of Community Health, FY 2005 Medicaid spending on undocumented immigrants totaled approximately \$111 million, or less than 2% of total Medicaid spending. However, this figure overstates the state cost of providing these services. Since Medicaid is part of a federal-state matching program, the \$111 million in Medicaid costs includes approximately \$67 million in federal funding. The state cost of providing Medicaid to undocumented immigrants is approximately \$44 million. Of the total \$111 million, approximately 70% of the costs go to pregnancy related services, based on 2004 spending patterns.

## Appendix

### Comments on Methodology

Most of the caveats to the methodology involve the use of average family income for undocumented immigrants. This figure, from a Pew Hispanic Center report, provides a national average income rather than a Georgia-specific average income. As the majority of the undocumented population continues to be in a few states, the national figure might be slightly higher or lower than Georgia's family income for the undocumented population. However, a recent report using Atlanta specific surveys shows that Atlanta Mexican immigrants, of whom the majority of respondents were thought to be undocumented, reported having slightly higher than average income for the seven cities studied. While the median weekly wage was \$300 for the seven cities, 56% of Atlanta immigrants had a higher wage than \$300 per week.<sup>7</sup>

Another caveat to the use of national average income is the lack of data on remittances. Studies have shown that many immigrant workers send a portion of their income or wages to their country-of-origin in the form of remittances. One such study showed that 81% of Latin American immigrants in Georgia regularly send remittances to their home countries in an average annual amount of over \$2,700 per adult immigrant.<sup>8</sup> This portion of income traveling outside of the US would lower their after-tax income, which would presumably lower their sales tax contribution. If data on remittances of the undocumented population in Georgia was available, income and sales tax contributions would need to be adjusted to incorporate that income transfer.

*The Georgia Budget and Policy Institute (GBPI) is an independent, nonprofit, non-partisan organization engaged in research and education on the fiscal and economic health of the state of Georgia. The GBPI provides reliable, accessible and timely analyses to promote greater state government fiscal accountability as a way to improve services to Georgians in need and to promote quality of life for all Georgians.*

<sup>1</sup> Passel, Jeffrey. "Background Briefing Prepared for Task Force on Immigration and America's Future." *Unauthorized Migrants: Numbers and Characteristics*. Pew Hispanic Center. June 14, 2005. [www.pewhispanic.org](http://www.pewhispanic.org)

<sup>2</sup> Ibid.

<sup>3</sup> *Economic Report of The President*. February 2005. Washington, D.C.: U.S Government Printing Office. [www.gpoaccess.gov/eop/](http://www.gpoaccess.gov/eop/). p. 107.

<sup>4</sup> Ibid. p. 107.

<sup>5</sup> Campos, Carlos. "No Services for Illegals?" *Atlanta Journal Constitution*. December 4, 2005. [www.ajc.com](http://www.ajc.com).

<sup>6</sup> Clark, Rebecca et. al. *Fiscal Impacts of Undocumented Aliens: Selected Estimates for Seven States*. Sept. 1994. The Urban Institute, Washington, D.C.

<sup>7</sup> Kochhar, Rakesh. *The Economic Transition to America*. December 6, 2005. Pew Hispanic Center. <http://pewhispanic.org/files/reports/58.pdf>.

<sup>8</sup> *Georgia: Remittances from the US to Latin America, 2004*. Inter-American Development Bank. Survey by Bendixen & Associates. [www.iadb.org/exr/remittances/georgia.cfm](http://www.iadb.org/exr/remittances/georgia.cfm).