



IMMIGRATION POLICY CENTER

...providing factual information about immigration and immigrants in America

Undocumented Immigrants as Taxpayers

"In this world nothing is certain but death and taxes." -Benjamin Franklin

As the debate over illegal immigration continues to rage, some pundits and policymakers are claiming that unauthorized immigrants do not pay taxes and rely heavily on government benefits. Neither of these claims is borne out by the facts. Undocumented men have work force participation rates that are higher than other workers, and all undocumented immigrants are ineligible for most government services, but pay taxes as workers, consumers, and residents.¹

Like The Rest of Us, Undocumented Immigrants Pay Taxes

Undocumented immigrants contribute to the U.S. economy not only through the labor they provide, but through the taxes they pay. Between one-half and three-quarters of undocumented immigrants pay federal and state income taxes, Social Security taxes, and Medicare taxes. And all undocumented immigrants pay sales taxes (when they buy anything at a store, for instance) and property taxes (even if they rent housing).²

According to the 2005 *Economic Report of the President*, undocumented immigrants working "‘on the books’...contribute to the tax rolls but are ineligible for almost all Federal public assistance programs and most major Federal-state programs."³ The report also notes that immigrants in general "contribute money to public coffers by paying sales and property taxes (the latter are implicit in apartment rents)."⁴

The Undocumented and Social Security: Contributing Yes, Collecting No

The Social Security Administration (SSA) has concluded that undocumented immigrants "account for a major portion" of the billions of dollars paid into the Social Security system under names or social security numbers that don't match SSA records; payments from which immigrants cannot benefit while undocumented.⁵ As of October 2005, the reported earnings on which these payments are based—which are tracked through the SSA's Earnings Suspense File (ESF)—totaled **\$520 billion**.⁶

Even at the State Level, Undocumented Immigrants Still Pay More in Taxes Than They Use in Services

A 2006 study by the **Texas** State Comptroller found that "the absence of the estimated 1.4 million undocumented immigrants in Texas in fiscal 2005 would have been a loss to our gross state product of \$17.7 billion. Undocumented immigrants produced \$1.58 billion in state revenues, which *exceeded* the \$1.16 billion in state services they received."⁷

Similarly, a 2007 study by the **Oregon** Center for Public Policy estimated that undocumented immigrants in Oregon pay state income, excise, and property taxes, as well as federal Social

A DIVISION OF THE AMERICAN IMMIGRATION LAW FOUNDATION

918 F STREET, NW, 6TH FLOOR • WASHINGTON, DC 20004 • TEL: (202) 742-5600 • FAX: (202) 742-5619

www.immigrationpolicy.org

Security and Medicare taxes, which “total about \$134 million to \$187 million annually.” In addition, “taxes paid by Oregon employers on behalf of undocumented workers total about \$97 million to \$136 million annually.” As the report goes on to note, undocumented workers are ineligible for the Oregon Health Plan, food stamps, and temporary cash assistance.⁸

Likewise, a 2007 report from the **Iowa** Policy Project concluded that “undocumented immigrants pay an estimated aggregate amount of \$40 million to \$62 million in state taxes each year.” Moreover, “undocumented immigrants working on the books in Iowa and their employers also contribute annually an estimated \$50 million to \$77.8 million in federal Social Security and Medicare taxes from which they will never benefit. Rather than draining state resources, undocumented immigrants are in some cases *subsidizing* services that only documented residents can access.”⁹

Spending Begets More Spending and a Stronger Economy

The consumer purchasing power of undocumented immigrants—what they spend on goods, services, and housing—not only creates new jobs, but also provides federal, state, and local governments with additional revenue through sales, income, business, and property taxes. In other words, spending by undocumented immigrants has an economic “multiplier effect.”

For instance, a 2002 study by the Center for Urban Economic Development at the University of Chicago found that undocumented immigrants in the Chicago metropolitan area alone spent \$2.89 billion in 2001. These expenditures stimulated “an additional \$2.56 billion in local spending,” for a total of \$5.45 billion in additional spending, or 1.5% of the Gross Regional Product. This spending, in turn, sustained 31,908 jobs in the local economy.¹⁰

¹ Jeffrey S. Passel, *The Size and Characteristics of the Unauthorized Migrant Population in the U.S.* Washington, DC: Pew Hispanic Center, March 7, 2006, p. 9.

² The White House, *Economic Report of the President*, February 2005, p. 107; Eduardo Porter, “Illegal Immigrants Are Bolstering Social Security With Billions,” *New York Times*, April 5, 2005.

³ The White House, *Economic Report of the President*, February 2005, p. 107.

⁴ *ibid.*, p. 106.

⁵ Office of the Inspector General, Social Security Administration, *Obstacles to Reducing Social Security Number Misuse in the Agriculture Industry* (Report No. A-08-99-41004), January 22, 2001, p. 12.

⁶ Testimony of Patrick P. O’Carroll, Jr., Inspector General of the Social Security Administration, before the U.S. Senate, Committee on Finance, regarding “Administrative Challenges Facing the Social Security Administration,” March 14, 2006.

⁷ Carole Keeton Strayhorn, Texas Comptroller, *Special Report: Undocumented Immigrants in Texas: A Financial Analysis of the Impact to the State Budget and Economy*. Austin, TX: December 2006, p. 1.

⁸ Oregon Center for Public Policy, *Undocumented Workers Are Taxpayers, Too*. Silverton, OR: April 10, 2007, p. 4.

⁹ Beth Pearson & Michael F. Sheehan, *Undocumented Immigrants in Iowa: Estimated Tax Contributions and Fiscal Impact*. Mount Vernon, IA: Iowa Policy Project, October 2007, pp. 30-31.

¹⁰ Chirag Mehta, Nik Theodore, Iliana Mora & Jennifer Wade, *Chicago’s Undocumented Immigrants: An Analysis of Wages, Working Conditions, and Economic Contributions*. Chicago, IL: Center for Urban Economic Development, University of Illinois at Chicago, February 2002, p. 34.

This publication was made possible in part by a grant from Carnegie Corporation of New York.

The statements made and views expressed are solely the responsibility of the author.

November, 2007