



IMMIGRANTS' IMPACTS ON FISCAL MATTERS

The Basic Facts

More than 40 million people living in the United States were born in other countries, and roughly as many have at least one foreign-born parent. Immigrants are a significant portion of the American population, and it is important to understand how this group of taxpayers interacts with the tax system and helps determine fiscal health at the federal, state, and local levels.

IMMIGRANTS AS TAXPAYERS

Immigrants pay substantial amounts of most taxes, including income and payroll taxes, sales taxes, property taxes, and excise taxes. Immigrants also consume government-provided services, including public schools, public health care, national defense, public safety, and income support programs such as the earned income tax credit (EITC) and child tax credit.

Cross-sectional analysis shows that in any one year, immigrants as a whole consume more in public benefits than they contribute in taxes, but so do natives-born residents. However, long-run scenarios suggest that the present value of immigration is positive, especially for the federal government: one new recent immigrant represents an average positive net fiscal contribution of \$259,000. On average, an immigrant with a college degree

contributes on net over \$800,000 over a 75-year period (including the contributions of his or her children). And although low-skilled immigrants impose a fiscal cost, it is generally less than that of native-born workers.

Overall, immigrants' tax contributions cover 93 percent of their publicly provided benefits; compared with 77 percent for native workers.

UNIQUE TAX CHALLENGES FACING IMMIGRANTS

Immigrants must establish Individual Taxpayer Identification Numbers (ITINs) or Social Security Numbers (SSNs), which can have implications for interacting with the tax system. And they share with all entrepreneurs the challenge of navigating complex tax rules when starting a business, especially for the first time.

1 in 4
Americans are immigrants or the children of immigrants

Lack of knowledge about important tax programs and procedures can be a setback for immigrants. Research shows among low-income immigrants, naturalized citizens are significantly more likely to know about the EITC than noncitizens (37.9 percent compared with 21.6 percent). However, both groups are much less likely to know about the tax credit than low-income natives (73.2 percent).

A challenge for many immigrants is establishing credentials such as ITINs and SSNs in order to pay taxes or participate in programs where such credentials are needed. And although only an ITIN is needed under current law for a parent to claim the child tax credit (though that child must have an SSN), some proposals in Congress would require all members of a family to have a Social Security Number.

Sources:

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Audrey Singer. "What the Research Says about Immigrants Hasn't Changed." *Urban Wire* (blog), March 2, 2017.

What is the fiscal impact of immigration for states?

The fiscal impact of immigration in part depends on how we allocate costs. If the costs of state spending—including fixed costs such as government administration, road construction, and police and fire protection—are allocated to all people equally, immigrant adults are estimated to be costlier to state and local budgets than native adults, costing nearly \$3,000 more per adult. If these fixed costs are not assigned to immigrants, the gap drops to \$450 (with variation across states). Immigrants tend to be costlier than native-born people for state and local governments largely because of the relative size of their families: immigrants tend to have more children (and more school age children) and the state bears the burden of providing education. However, some of those education costs can translate into higher tax payments in later years as educated workers earn more.