IMMIGRATION POLICY CENTER

…providing factual information about immigration and immigrants in America

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Assessing the Economic Impact of Immigration at the State and Local Level

In recent years, policymakers and the public have grown increasingly concerned about the impact of immigration, especially undocumented immigration, on state and local economies. In particular, there has been heated debate over whether or not undocumented immigrants are a drain on the budgets of state and local governments because of the public services they utilize. Accurately assessing the costs and contributions of immigrants, particularly undocumented immigrants, is a challenge, but research shows that between one-half and three-quarters of undocumented immigrants pay federal and state income taxes, Social Security taxes, and Medicare taxes. Moreover, all immigrants (legal and undocumented) pay sales taxes (when they buy anything at a store, for instance) and property taxes (even if they rent housing).[1] Below is a survey of a number of state studies which have found that immigrants in general—and the undocumented specifically—contribute to the public treasuries and economies of many states and localities.

States Find Immigrants Contribute More to State and Local Coffers Than They Take Out

- **ARIZONA**: A 2007 study 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."[2]

- **ARKANSAS**: A 2007 study 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."[3]

- **FLORIDA**: A 2007 study 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.[4]

- **NEVADA**: A 2007 report 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." Moreover, Hispanic immigrants comprised about 16 percent of the state's entire workforce and an even higher share in select industries: 81 percent of the agricultural workforce, 47 percent of the construction and mining workforce, and 22 percent of the entertainment and tourist services workforce.[5]

- **NEW YORK**: A 2007 study 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."[6]

- **WASHINGTON, DC**: A 2006 study 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)…" About 72 percent of these tax payments went to the federal government.[7]

Studies of *Undocumented* Immigrants Show They Add Significantly to State and Local Economies

- **IOWA**: A 2007 study by 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."[8]

- **OREGON**: 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 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.[9]

- **TEXAS**: 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."[10]

- **CHICAGO**: 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 percent of the Gross Regional Product. This spending, in turn, sustained 31,908 jobs in the local economy.[11]

Why the Discrepancies in Studies?

- *One-year fiscal "snapshots" don't tell the whole story: early investments in services for immigrants lead to long-term economic gains for state, local, and federal governments.*

  - A 2007 report by the Congressional Budget Office (CBO), which examined 29 reports published over the past 15 years on the impact of unauthorized immigrants on state and local budgets, found that:

    - "Generally, immigrants' use of services and their contributions to revenues vary over time as they become better integrated into U.S. society and labor markets. Most analysts believe that those general trends also apply to the portion of the population that is unauthorized."[12]

    - "Most of the research available to date measures the impact of unauthorized immigrants in terms of the funds spent and revenues collected within a given period, typically one fiscal year. Some analysts point out that such a method ignores the long-term impact of that population. A better measure, they suggest, would evaluate the lifetime costs that unauthorized immigrants impose on federal, state, and local governments and the lifetime revenues they generate." Moreover, some of the studies "included children of unauthorized immigrants who were born in the United States (even though those children are U.S. citizens)."[13]

- *Initial cost shift to the states and localities: In the early stages of a person's life, the federal government receives most tax dollars, but state and local governments provide most taxpayer-funded services.*

  - Like the native-born, immigrants have different fiscal impacts at the state and federal levels primarily for two reasons: "First, state and local investments in education pay off in higher tax payments later in life, although only a portion of the payoff is at the state and local level; the remainder is at the federal level, where tax payments are also raised. Second, at the state and local level, an individual or a household typically first receives costly services and transfers, particularly for education, and then in a sense pays for them later in life through taxes… At the federal level, the opposite occurs: workers pay taxes first, and receive their pension and health care benefits about 30 years later on average."[14]

  - The 2007 report by the CBO points out that: "The impact of unauthorized immigrants on the federal budget differs from that population's effect on state and local budgets primarily because of the types of services provided at each level of government and the rules governing those programs. For instance, most unauthorized immigrants are prohibited from receiving many of the benefits that the federal government provides through Social Security and such need-based programs as Food Stamps, Medicaid (other than emergency services), and Temporary Assistance for Needy Families. At the same time, the federal government requires that state and local governments provide certain services to individuals, regardless of their immigration status or ability to pay, in order for those states or localities to participate in some of its assistance programs."[15]

January 15, 2008

Endnotes

[1] 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.
[2] Judith Gans, *Immigrants in Arizona: Fiscal and Economic Impacts*, Tucson, AZ: Udall Center for Studies in Public Policy, University of Arizona, 2007, p. 3.
[3] Randy Capps, *et al.*, *A Profile of Immigrants in Arkansas: Executive Summary*, Washington, DC: Urban Institute, April 2007, pp. 4-6.
[4] Emily Eisenhauer, *et al.*, *Immigrants In Florida: Characteristics and Contributions*, Miami, FL: Research Institute for Social and Economic Policy, Florida International University, May 2007, pp. 7, 34.
[5] Robert Ginsburg, *Vital Beyond Belief: The Demographic and Economic Facts about Hispanic Immigrants in* Nevada, Las Vegas, NV: Progressive Leadership Alliance of Nevada, 2007, pp. 6-10.
[6] Fiscal Policy Institute, *Working for a Better Life: A Profile of Immigrants in the New York State Economy*, New York, NY: November 2007, p. 1.
[7] Randy Capps, *et al.*, *Civic Contributions: Taxes Paid by Immigrants in the Washington, DC, Metropolitan Area*, Washington, DC: Urban Institute, May 2006, p. 5.
[8] 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.
[9] Oregon Center for Public Policy, *Undocumented Workers Are Taxpayers, Too*, Silverton, OR: April 10, 2007, p. 4.
[10] 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.
[11] 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.
[12] Congressional Budget Office, *The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments*, Washington, DC, December 2007, pp. 4-5.
[13] *ibid*.
[14] James P. Smith & Barry Edmonston, eds., *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration*, Washington, DC: National Research Council, National Academy of Sciences Press, 1997, pp. 347-348.
[15] Congressional Budget Office, *The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments*, December 2007, p. 1.

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