

## ASSESSING THE ECONOMIC IMPACT OF IMMIGRATION AT THE STATE AND LOCAL LEVEL

At a time of economic recession, high unemployment, and budget deficits, policymakers and the public are concerned about the impact of immigration—especially unauthorized immigration—on state and local economies. In particular, there is debate over whether or not unauthorized 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 unauthorized immigrants, is a challenge, but research shows that roughly one-half of unauthorized immigrants pay federal and state income taxes, Social Security taxes, and Medicare taxes. Moreover, all immigrants (legal and unauthorized) pay sales taxes (when they buy anything at a store, for instance) and property taxes (even if they rent housing).<sup>1</sup> Below is a survey of a number of state studies which have found that immigrants in general—and the unauthorized 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 [2008 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.”<sup>2</sup>
- **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.”<sup>3</sup>
- **CALIFORNIA:** A [2008 study](#) by the California Immigrant Policy Center concludes that immigrants in California pay roughly \$30 billion in federal taxes, \$5.2 billion in state income taxes, and \$4.6 billion in sales taxes each year. In California, “the average immigrant-headed household contributes a net \$2,679 annually to Social Security, which is \$539 more than the average US-born household. Additionally, “immigrants are among California’s most productive entrepreneurs and have created jobs for tens of thousands of Californians. By 2000, immigrant owners of Silicon Valley companies had created 72,829 jobs and generated more than \$19.5 billion in sales.”<sup>4</sup>

- **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.<sup>5</sup>
- **INDIANA:** Immigrants in Indiana paid an estimated \$2.3 billion in federal, state, and local taxes in 2007, according to a [2009 study](#) by the Sagamore Institute, which includes \$1.2 billion paid by naturalized U.S. citizens, \$901.7 million paid by authorized immigrants who were not U.S. citizens, and \$255.9 million paid by unauthorized immigrants. Additionally, immigrants in Indiana earned roughly \$6.8 billion in income in 2007, which gave them "a higher share of total income than their share of the total Indiana population."<sup>6</sup>
- **MARYLAND:** A [2006 study](#) by the Urban Institute found that immigrant households in Maryland paid 18% (or \$4.0 billion) of all taxes collected in Maryland in 2000, which includes \$2.9 billion in federal income, Social Security, and Medicare taxes, \$562 million in state income, sales, and auto taxes and \$536 million in local property, income, sales, auto, and utility taxes.<sup>7</sup> Another [2006 study](#) by the Urban Institute reveals that immigrants were 1-in-3 workers in Montgomery County, 1-in-4 workers in Prince George's County, and 1-in-5 workers in Howard County in 2006. Roughly 27% of all scientists in Maryland were foreign-born in 2006, as were 21% of health care practitioners, and 19% of mathematicians and computer specialists.<sup>8</sup>
- **MASSACHUSETTS:** A [2009 report](#) by the Institute for Asian American Studies at the University of Massachusetts found that immigrant-headed households paid \$1.2 billion in Massachusetts state income taxes in 2005, \$1.06 billion in local property taxes in 2007, and \$346 million in sales and excise taxes in 2006. Moreover, the total value of homes owned by immigrant-headed households was \$81.3 billion in 2007, while rent payments by immigrant-headed households totaled \$2.3 billion that year.<sup>9</sup>
- **MINNESOTA:** A [2004 report](#) by the Minneapolis Foundation found that more than 16,000 Asian-Indians living in Minnesota accounted for \$500 million in consumer purchasing power, paid \$5.2 million in real estate taxes and \$2.3 million in rent, and owned 400 companies that employed more than 6,000 people. The report also found that more than 1,000 Mexican-American businesses operated in Minnesota, generating an estimated \$200 million in sales; while Latino workers employed in south-central agricultural industries added nearly \$25 million to the local economy. Minnesota is also home to roughly 60,000 Hmong, whose businesses generated an estimated \$100 million in revenue.<sup>10</sup>
- **NEBRASKA:** A [2008 study](#) by the Office of Latino/Latin American Studies at the University of Nebraska at Omaha estimates that in 2006, "immigrant spending resulted in \$1.6 billion worth of total production (or output) to Nebraska's economy. Moreover, this spending generated between 11,874 and 12,121 total jobs for the state." The study also estimates that the state's immigrant population "contributed \$154 million in the form of property, income, sales and gasoline tax in 2006," which amounts to about \$1,554 per capita, compared to \$1,944 in contributions by native-born residents.<sup>11</sup>
- **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.<sup>12</sup>

- **NEW JERSEY:** A [2008 study](#) by the Eagleton Institute of Politics at Rutgers University found that "immigrants bring in almost one-quarter or 23 percent of all earnings statewide" and make up 28% of New Jersey's workforce"—which is the third largest foreign population statewide behind California and New York. "Foreign-born entrepreneurs also own one-fifth of the businesses in the state and are key contributors to New Jersey's economic output, and hence critical to the state's tax base"—paying into the New Jersey State GDP (\$448 billion) anywhere from \$47 to \$288 billion. The report also finds that "skilled immigrants have a substantial positive fiscal impact on the state" and over time, "immigrants and their families generally have a positive impact on the government budgets."<sup>13</sup>
- **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."<sup>14</sup>
- **UTAH:** A [2006 study](#) by the Institute of Public and International Affairs at the University of Utah found that Mexican immigrants in Utah "own property valued at \$984 million," have more than \$1.0 billion in purchasing power, and paid more than \$67 million in state and local taxes in 2000, which includes \$7.5 million in income tax, \$52.2 million in sales tax, and \$7.6 million in property tax.<sup>15</sup>
- **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.<sup>16</sup>
- **WASHINGTON STATE:** A [2009 study](#) by One America found that "immigrants contributed \$1.48 billion in tax revenue to Washington's economy in 2007. The foreign born account for 13.2 percent of all taxes paid in Washington state, slightly higher than the overall percentage of foreign born households." Furthermore, low income foreign born households in Washington "pay the highest percent of their income to taxes—about 14.2 percent. Additionally, Washington's Asian and Hispanic buying power accounted for over \$28 billion or about 11.5 percent of the state's total consumer market."<sup>17</sup>
- **WISCONSIN:** A [2003 study](#) at the University of Wisconsin-Madison found that migrant workers' direct spending generated about \$14.9 million per year in income to Wisconsin residents and business, roughly \$8.7 million in tax revenue to state and local governments and the creation of 417 jobs for Wisconsinites annually. The report also points out that migrant workers constituted more than 40% of all hired dairy employees (totaling roughly 5,316 individuals) in 2008. More than 5,000 migrant workers, plus 1,000 dependents, arrive annually in Wisconsin to work in canning, food-processing, and agriculture.<sup>18</sup>

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

- **CALIFORNIA:** A [2010 study](#) from the University of Southern California estimates that “undocumented Latino immigrants in California...missed out on approximately \$2.2 billion in wages and salary income last year alone due solely to their legal status, and the state lost out on the multiplied impacts of that potential income and spending, suggesting a total potential gain of \$3.25 billion annually from authorization.” Because unauthorized immigrants earn less than they would if they had legal status, the California state government lost out on \$310 million in income taxes in 2009, while the federal government missed out on \$1.4 billion. Moreover, “gains from increased levels of educational attainment...and English fluency would result in an additional \$8.6 billion in wage income. The multiplied impact of this on the California economy in direct and indirect spending would be about \$12.7 billion. Combined with the immediate effects, this is a \$16 billion boost to California.”
- **COLORADO:** Unauthorized immigrants in Colorado paid between \$159 million and \$194 million in state and local taxes in 2005, according to a [2006 study](#) by the Bell Policy Center, which includes \$24 million to \$30 million in state income taxes, \$10 million to \$13 million in property taxes and \$125 million to \$151 million in sales taxes. In addition, Colorado employers paid between \$12 million and \$15 million in unemployment insurance taxes to the state on behalf of unauthorized workers in 2005. Unauthorized workers are prohibited by state law from collecting unemployment insurance benefits.<sup>19</sup>
- **GEORGIA:** A [2006 study](#) by the Georgia Budget and Policy Institute shows found that unauthorized immigrants in Georgia contributed between \$215.6 million and \$252.5 million in aggregated sales, income and property tax (using an income tax compliance rate of 50% and estimating the state’s unauthorized population to be between 228,000 and 250,000). The average unauthorized family in Georgia contributed between \$2,340 and \$2,470 in state and local sales, income, and property tax.<sup>20</sup>
- **ILLINOIS:** A [2002 study](#) by the Center for Urban Economic Development at the University of Chicago found that unauthorized 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.<sup>21</sup>
- **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.”<sup>22</sup>
- **MISSOURI:** A [2006 study](#) by the Missouri Budget Project found that unauthorized immigrants in Missouri contribute between \$29 million to \$57 million in property, state income, and excise taxes each year. According to the report, unauthorized workers in Missouri may also have Social Security and Medicare taxes withheld from their paychecks—taxes which provide income support and health care for elderly American citizens—which undocumented workers themselves are not eligible to receive.<sup>23</sup>

- **NEW MEXICO:** A [2006 study](#) by New Mexico Fiscal Policy Project found that unauthorized immigrants in New Mexico contributed \$64.7 million in sales, income, and property taxes to the state economy in 2004, which includes \$5.1 million in income tax and \$59.6 million in sales and property taxes. The report also highlights the fact that unauthorized immigrants are restricted from receiving services their taxes fund, such as non-emergency medical care, Medicaid, Medicare, Social Security, food stamps, child care subsidies, housing assistance, and Temporary Assistance to Needy Families (TANF).<sup>24</sup>
- **OREGON:** A [2007 study](#) by the Oregon Center for Public Policy estimated that unauthorized 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, unauthorized workers are ineligible for the Oregon Health Plan, food stamps, and temporary cash assistance.<sup>25</sup>
- **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.”<sup>26</sup>
- **VIRGINIA:** A [2008 study](#) by The Commonwealth Institute found that unauthorized immigrants in Virginia “provide critical labor to certain industries, including construction, manufacturing, and leisure and hospitality, and the \$2.6 billion to \$3.1 billion in income earned by this group is used to purchase goods and services in the Commonwealth. Furthermore, the taxes paid by the undocumented population total between \$260 million and \$311 million. When the payroll taxes of employers of undocumented immigrants working on the books are considered, these numbers increase to between \$379 million and \$453 million.”<sup>27</sup>

### **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.”<sup>28</sup>
    - “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).”<sup>29</sup>



## State and Local Governments Initially Bear Most of the Costs

- *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.*
- 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.”<sup>30</sup>

## Endnotes

<sup>1</sup> 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.

<sup>2</sup> Judith Gans, *Immigrants in Arizona: Fiscal and Economic Impacts* (Tucson, AZ: Udall Center for Studies in Public Policy, University of Arizona, 2007), p. 3.

<sup>3</sup> Randy Capps, et al., *A Profile of Immigrants in Arkansas: Executive Summary* (Washington, DC: Urban Institute, April 2007), pp. 4-6.

<sup>4</sup> California Immigrant Policy Center, *Looking Forward: Immigrant Contributions to the Golden State/A Compilation of Recent Research Findings on Immigrants in California* (Sacramento, CA: January 2008).

<sup>5</sup> 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.

<sup>6</sup> Justin Heet, *The Impact of Immigration in Indiana* (Indianapolis, IN: Sagamore Institute, February 2009), p. 44.

<sup>7</sup> Randy Capps, Everett Henderson, Jeffrey S. Passel, and Michael Fix, *Civic Contributions: Taxes Paid by Immigrants in the Washington, DC, Metropolitan Area* (Washington, DC: The Urban Institute, May 2006).

<sup>8</sup> Randy Capps and Karina Fortuny, *The Integration of Immigrants in Maryland's Growing Economy* (Washington, DC: The Urban Institute, March 2008).

<sup>9</sup> Alan Clayton-Mathews, et al., *Massachusetts Immigrants by the Numbers: Demographic Characteristics and Economic Footprint* (Boston, MA: Institute for Asian American Studies, University of Massachusetts Boston, June 2009), pp. 45-46.

<sup>10</sup> The Minneapolis Foundation, *Immigration in Minnesota: Discovering Common Ground* (Minneapolis, MN: The Minneapolis Foundation, 2004), p. 9.

<sup>11</sup> Christopher Decker with Jerry Deichert and Lourdes Gouveia, *Nebraska's Immigrant Population: Economic and Fiscal Impacts* (Omaha, NE: University of Nebraska at Omaha: Office of Latino/Latin American Studies, 2008) p. 1.

<sup>12</sup> 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.

<sup>13</sup> Ira N. Gang and Anne Morrison Piehl, *Destination New Jersey: How Immigrants Benefit the State Economy* (New Brunswick, NJ: Eagleton Institute of Politics, Rutgers University, 2008), p. 3.

<sup>14</sup> 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.

<sup>15</sup> Institute of Public and International Affairs, *Mexico and Utah: A Complex Economic Relationship* (Salt Lake City: University of Utah, 2005), xi-xii.

<sup>16</sup> Randy Capps, et al., *Civic Contributions: Taxes Paid by Immigrants in the Washington, DC, Metropolitan Area* (Washington, DC: Urban Institute, May 2006), p. 5.

<sup>17</sup> Pramila Jayapal, et al., *Building Washington's Future: Immigrant Workers' Contribution to Our State's Economy* (Seattle, WA: April 2009), p. 11.

<sup>18</sup> Jill Harrison, Sarah Lloyd, and Trish O’Kane, *Overview of Immigrant Workers on Wisconsin Dairy Farms* (Madison, WI: Program on Agricultural Technology Studies, University of Wisconsin-Madison, February 2009), p. 2.

<sup>19</sup> Robin Baker and Rich Jones, *State and Local Taxes Paid in Colorado by Undocumented Immigrants* (Denver, CO: The Bell Policy Center, 2006).

<sup>20</sup> Sarah Beth Coffey, *Undocumented Immigrants in Georgia: Tax Contributions and Fiscal Concerns* (Atlanta, GA: Georgia Budget and Policy Institute, 2006)

<sup>21</sup> Chirag Mehta, et al., *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.

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<sup>22</sup> Beth Pearson and Michael F. Sheehan, *Undocumented Immigrants in Iowa: Estimated Tax Contributions and Fiscal Impact* (Mount Vernon, IA: Iowa Policy Project, October 2007), pp. 30-31.

<sup>23</sup> Ruth Ehresman, *Undocumented Workers: Impact on Missouri's Economy* (St. Louis, MO: Missouri Budget Project, June 2006), p. 2.

<sup>24</sup> New Mexico Fiscal Policy Project, *Undocumented Immigrants in New Mexico: State Tax Contributions and Fiscal Concerns* (Albuquerque, NM: NM Voices, May 2006), p. 4.

<sup>25</sup> Oregon Center for Public Policy, *Undocumented Workers Are Taxpayers, Too* (Silverton, OR: April 10, 2007), p. 4.

<sup>26</sup> Carole Keeton Strayhorn, *Special Report: Undocumented Immigrants in Texas: A Financial Analysis of the Impact to the State Budget and Economy* (Austin, TX: Texas Comptroller of Public Accounts, December 2006), p. 1.

<sup>27</sup> Michael Cassidy and Sara Okos, *Fiscal Facts: Tax Contributions of Virginia's Undocumented Immigrants* (Richmond, VA: The Commonwealth Institute, February 2008), p. 5.

<sup>28</sup> Congressional Budget Office, *The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments* (Washington, DC: December 2007), pp. 4-5.

<sup>29</sup> Ibid.

<sup>30</sup> Congressional Budget Office, *The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments* (Washington, DC: December 2007), p. 1.