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## Immigrants, Taxes and Use of Welfare

“Immigrants don’t pay taxes!” “Immigrants use the welfare system and don’t give anything in return.” It is a refrain heard often around the country. But nothing could be further from the truth. As the statistics below show, immigrants pay lots of taxes – federal taxes, social security taxes, state and local taxes, business taxes, property taxes, excise taxes and taxes embedded in sales and meals. And there is no evidence that they use welfare any more than the native-born.

There is also a myth that undocumented immigrants don’t pay any taxes. It is estimated that at least 70 percent of undocumented immigrants work “on the table” through IRS assigned numbers or fake documents. Moreover, Stephen Goss, Social Security’s chief actuary, says that “our assumption is that about three-quarters of other-than- legal pay payroll taxes.”

Immigrants do pay taxes, lots of taxes!

**A 2012 study *Massachusetts Immigrants by the Numbers: Demographic characteristics and Economic Footprint* found that:**

- Immigrants comprised 16.7 percent of the state income tax filers in 2009, higher than their 14.0 percent share of population and showed a significant propensity to pay income taxes.
- They paid \$1.4 billion in Massachusetts state income taxes in 2009.
- Immigrant-headed households in Massachusetts paid \$1.3 billion in local property taxes in 2009.
- Immigrants paid \$338 million in sales and excise taxes in 2009 or 14.3 percent of the total.
- Low rates of incarceration and institutionalization among immigrants **balance costs associated with educating immigrant children.**
- Immigrants’ reliance on public assistance income is about the same as for natives.

- **Adult immigrants must wait five years to be eligible for public assistance, while undocumented immigrants cannot receive any transfer payments.**
- Undocumented immigrants do not receive credit toward future Social Security payments even though they may pay into the system. The IRS estimates that 70 to 75 percent of the undocumented population pays Social Security taxes and those payments are a net benefit to the system estimated at \$7 billion annually.<sup>(1)</sup>

## National Statistics

- A 2009 study by the Immigration Policy Center in Washington, D.C. found that immigrants contribute more to state and local coffers than they take out. Net contributions of immigrants in 16 states for are profiled.<sup>(2)</sup>
- The Institute for Taxation and Economic Policy (ITEP) has estimated the state and local taxes paid in 2010 by households that are headed by unauthorized immigrants. These households may include members who are U.S. citizens or legal immigrants. Collectively, these households paid \$11.2 billion in state and local taxes. That included \$1.2 billion in personal income taxes, \$1.6 billion in property taxes and \$8.4 billion in sales taxes. The states receiving the most tax revenue from households headed by unauthorized immigrants were California (\$2.7 billion), Texas (\$1.6 billion), Florida (\$806.8 million), New York (\$662.4 million) and Illinois (\$499.2 million)<sup>(3)</sup>
- Researcher Stephen Moore reports that immigrants are large contributors to the Social Security and Medicare programs. The age profile of immigrants means they have many working years over which to make contributions. **The total net benefit (taxes paid over benefits received) to the Social Security system will reach nearly \$500 billion in the 1998-2022 period and \$2.0 trillion through 2072.**<sup>(4)</sup>
- Researcher Alexander Tabarrok reinforces this point. In 1960, he says, there were 5.1 workers for every social security recipient; today there are only 3.4 workers for every retiree. **When the baby boomers retire, there will only be 2 workers for every recipient of social security. More retirees, longer years of life and fewer workers mean a forthcoming crisis in social security that importing more workers in their prime earning years can alleviate.**<sup>(5)</sup>
- The National Research Council (NRC) reports that the average immigrant and his or her children pay **an estimated \$20,000 to \$80,000 more in taxes than they will receive in local, state and federal benefits** over their lifetimes. The NRC report is considered the defining study on taxes vs. benefits.<sup>(6)</sup>
- Researchers Richard Vedder and Lowell Gallaway, Ohio University, with Stephen Moore, Cato Institute, found **“the alleged rise in immigrant use of the welfare system to be nonexistent... As has so often been the case in American history, the perceived immigrant problem du jour is largely an illusion.”**<sup>(7)</sup>

## References

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