

Embargoed until 12:01 a.m. Thursday, April 16

Contact: Jenice R. Robinson, 202.299.1066 x 29, Jenice@itep.org

New 50-State Analysis: Undocumented Immigrants' Pay More than \$11.8 Billion in State and Local Taxes; Contributions Would Substantially Increase Under Reform

A new 50-state study, [*Undocumented Immigrants' State and Local Tax Contributions*](#), by the [Institute on Taxation and Economic Policy](#) finds that undocumented immigrants' tax contributions would increase significantly under the Obama Administration's executive actions and even more substantially under comprehensive immigration reform granting all undocumented immigrants lawful permanent residence.

The 11.4 million undocumented immigrants currently living in the United States collectively paid \$11.84 billion in state and local taxes in 2012. ITEP's analysis finds their combined nationwide state and local tax contributions would increase by \$845 million under full implementation of the administration's 2012 and 2014 executive actions and by \$2.2 billion under comprehensive immigration reform.

"The numbers alone make a compelling case for reform," said Matthew Gardner, executive director of ITEP. "This analysis shows that undocumented immigrants already are paying billions in taxes to state and local governments, and if they are allowed to work in the country legally, their state and local tax contributions would considerably increase."

The report's key findings:

- Undocumented immigrants contribute significantly to state and local taxes, collectively paying an estimated **\$11.84 billion** in 2012.
- Undocumented immigrants' nationwide average effective state and local tax rate (the share of income they pay in state and local taxes) in 2012 is an estimated **8 percent**.
- Under President Obama's 2012 and 2014 executive actions, which would make temporary immigration reprieve available to up to 5.2 million undocumented immigrants (about 45 percent of the undocumented population), their state and local tax contributions would increase by an estimated **\$845 million a year** once fully in place.
- Granting lawful permanent residence to all 11.4 million undocumented immigrants and allowing them to work in the United States legally would

increase their state and local tax contributions by an estimated **\$2.2 billion a year**.

- Under comprehensive reform, undocumented immigrants' nationwide effective state and local tax rate would increase to **8.7 percent**, which would align their tax contributions with economically similar documented taxpayers.

The report includes detailed, state-specific information on sales and excise taxes, personal income taxes and property taxes and calculates what undocumented immigrants are currently contributing compared with what they would pay if granted legal residency. Contributions range from less than \$3.2 million in Montana with an estimated undocumented population of 6,000 to more than \$3.2 billion in California, home to more than 3.1 million undocumented immigrants.

While this report examines state and local-level tax data, it's important to consider this in the broader federal context. A 2010 report from the non-partisan Congressional Budget Office (CBO) found that full immigration reform at the federal level would decrease the deficit and generate more than \$450 billion in additional federal revenue over the next decade.

And the benefits of immigration reform wouldn't be limited to the tax system: the Council of Economic Advisers (CEA) and the Center for American Progress (CAP) both estimate the president's executive actions will have positive effects on labor market growth and productivity, as well as wages and economic growth. The CEA estimates that the executive actions will increase national GDP by 0.4 percent over ten years, while having no impact on the likelihood of employment for US-born workers.

To view the full report or to find state-specific data, go to www.itep.org/immigration/.

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