

Undocumented Immigrants Pay \$11 Billion Annually In State And Local Taxes; Immigration Reform Would Boost State Revenues By \$2 Billion

New 50-State Study From The Institute On Taxation And Economic Policy

Washington, DC – With fiscal costs and benefits figuring large in the immigration reform debate, a new analysis explains that unauthorized immigrants are already paying \$10.6 billion a year in state and local taxes, and provides estimates of the revenue increases for all fifty states and the District of Columbia should undocumented immigrants currently in the U.S. be allowed to work here legally. The analysis from the Institute on Taxation and Economic Policy (ITEP) assumes a newly legalized immigrant population of 11.2 million fully participating in the federal, state and local tax systems and estimates an overall revenue gain for states of \$2 billion a year.

States with progressive tax systems, which include an income tax, would see the most significant revenue change since it is in the income tax where compliance will increase under reform; unauthorized immigrants currently pay approximately the same level of sales and property taxes as other U.S. residents in the same income brackets.

“We know that undocumented immigrants already pay six or seven percent of their income in state and local taxes, simply because they buy things and they rent or own homes, and sales and property taxes are paid automatically,” said Matthew Gardner, ITEP’s Executive Director. “With legalization, both wages and tax compliance will go up, resulting in substantial new revenues for states, especially from the income tax.” A recent Congressional Budget Office (CBO) report concluded a similar effect on federal revenues.

The study, **Undocumented Immigrants’ State and Local Tax Contributions**, available at www.itep.org/immigration, finds:

-Undocumented immigrants currently contribute a collective estimated \$10.6 billion in state and local taxes each year and are paying an average effective tax rate of 6.4 percent.

-Allowing undocumented immigrants to work legally will increase their state and local tax contributions by an estimated \$2 billion each year and raise their effective tax rate to 7 percent.

-Undocumented immigrants currently pay \$1.2 billion in personal income taxes, \$1.2 billion in property and \$8 billion in sales and excise taxes.

The report also provides:

- A break down of tax payments by category (sales, income, property) for each state, before and after immigration reform, including the effect of Undocumented immigrants becoming newly eligible for state Earned Income Tax Credits.
- Key state-by-state data points on the immigrant population underlying the tax analysis.
- A complete methodology section and footnotes.
- The report and a clickable 50-state data map can be accessed at <http://www.itep.org/immigration>.

Founded in 1980, the Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization, based in Washington, DC, that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy. ITEP's full body of research is available at www.itep.org.