

318 2nd Ave. N • Mount Vernon, IA 52314

www.iowapolicyproject.org

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CONTACT: Mike Owen, 319-338-0773, ipp@lcom.net

Documenting the Undocumented

New Report Shows Undocumented Immigrants Pay Iowa Taxes

MOUNT VERNON, Iowa (Oct. 25, 2007) — Undocumented immigrant families pay less in state taxes than families at similar incomes in Iowa, but they contribute over \$40 million to state coffers and they receive fewer services.

A new report for the nonpartisan Iowa Policy Project (IPP) finds that discussions focusing only on costs of undocumented immigrants can miss a big piece of the fiscal equation: the taxes immigrants pay, often without services coming to them.

“They pay somewhat less, but they’re not getting a great deal in terms of services in comparison to other families. Estimates of the fiscal impacts of undocumented immigrants would provide a better, more accurate picture if they would include the tax estimates,” said Beth Pearson, an IPP research associate who produced the study with economist Michael F. Sheehan.

Sheehan agreed, noting that eligibility for services is often restricted for undocumented immigrants, as they are not permitted to receive Medicaid (for other than emergency room care) or Social Security benefits, for example.

“But they are helping to pay for those services through taxes on their paychecks, as well as property taxes and sales taxes on rent and daily purchases,” Sheehan said.

“Our study recognizes that there is an investment aspect to spending on public services that some of the political shorthand misses. Immigration policy is controversial, but any discussion of it should recognize that public services are an investment in people, and these folks are helping to pay for it.”

Pearson and Sheehan said the report refutes the mistaken assumption of some that because they are undocumented, those immigrants pay no taxes.

“Our research shows undocumented immigrant families are paying substantial amounts of state and local taxes: between \$40 million and \$62 million each year,” Pearson said.

The report examines the theoretical tax treatment in Iowa of two families making \$27,400 — one documented, one undocumented — using computations from the Institute on Taxation and Economic Policy and other research that helps to illustrate taxes likely to be paid by undocumented workers.

The authors found that an undocumented family at that income would pay about \$1,254 in sales and excise taxes, \$110 in property taxes and \$307 in state income taxes — or \$1,671 a year, about 80 percent of the amount estimated to be paid by a documented family at the same income.

“We know these estimates may be conservative, but that gives us an idea of an amount no one can reasonably dismiss in these policy discussions,” Pearson said. “There’s not a lot of data on undocumented people since they are a hard population to measure, but we know there are between 55,000 and 85,000 in Iowa.”

The authors suggested that policies could capture more tax from undocumented immigrants with moves such as increasing enforcement of employers’ withholding of income taxes.

“As long as they’re here, it makes sense to increase tax payments as much as we are able from those immigrants so that they are paying closer to what a documented family pays,” Sheehan said. “But it’s a given that many of the solutions to this controversial issue will have to be developed at the federal level, not the state level.”

The Iowa Policy Project (IPP) is a nonpartisan, nonprofit research and policy analysis organization based in Mount Vernon. IPP reports on job and income trends, budget and tax policy, and energy and environmental issues are available on the web at <<http://www.iowapolicyproject.org>>.

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