



The Iowa Policy Project

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EXECUTIVE SUMMARY

Immigrants in Iowa

What New Iowans Contribute to the State Economy

By Heather Gibney and Peter Fisher

Immigrants are important to Iowa and its economy. Like other working Iowans, immigrant workers generate income, spend money as consumers, and contribute to state and federal revenues as taxpayers. Like other business owners, immigrants who start businesses contribute to local economic development and job creation. And new immigrants, who tend to be younger than the general population and come from a diverse range of ethnicities, experiences, and educational backgrounds, contribute to the vitality and culture of Iowa communities. These contributions would increase further if immigration reform were to make work authorization or a path to citizenship possible for the subset of Iowa immigrants who currently lack such documents.

Iowa is home to a diverse population of about 130,000 immigrants, a broad category defined as those born outside the United States. This number includes naturalized citizens, refugees, legal permanent residents (green card holders), those with work or student visas, and undocumented immigrants. In total, immigrants make up about 4.3 percent of the Iowa population, account for 4.5 percent of the state's economic output and represent 1 in 20 Iowa workers.

This report estimates the economic impact of Iowa's immigrant population as a whole, and also provides new analysis of the contributions that the subset of Iowa's immigrants who are undocumented make to tax revenues. Like other Iowans, immigrants contribute payroll taxes as workers, sales taxes as consumers, property taxes as homeowners or renters, and fees that support local utilities. What's more, in many cases these taxes pay for programs and services that immigrant taxpayers themselves cannot access due to their immigration status.

Among the report's findings:

- Immigrants contribute to Iowa's economy both as workers and employers.
- The majority of Iowa's immigrants are of prime working age, and are lowering the average age of the state's population and increasing overall rates of workforce participation.
- Undocumented immigrants annually pay an estimated \$64 million in Iowa state and local taxes, increasing revenue available for public programs and services, including many that immigrant families are unable to access themselves.
- Immigrants in Iowa work in a wide variety of occupations, and half of immigrant families make over \$58,000. Like most Iowa families, the majority of immigrant families have incomes between \$20,000 and \$80,000.
- Compared to Iowa's overall population, immigrants are both more likely to have less than a high school education, and more likely to have an advanced degree. Yet at all education levels, Iowa immigrants appear somewhat disadvantaged in the labor market and earn less when compared to native-born counterparts with equivalent levels of education.

Immigration has little impact on overall wage levels of non-immigrants. In part this is because immigrants, like native-born youth entering the labor force, consume goods and services, which contributes to job creation, and in part because immigrants and native-born workers often have different job specialties and the jobs they perform are often complementary and expand the economy's productive capacity. Where wage depression occurs, it is most likely due to exploitation of undocumented workers who are made vulnerable to a variety of employment abuses that can depress their wages.

Immigrants in general are more likely than native-born Iowans to be working, because work is what drew most of them to this country and because they tend to be younger than the general population. While 60.5 percent of native-born Iowans are of prime working age (between 18 and 64), 83.2 percent of immigrants fall into that age group. Immigration has thus helped to moderate Iowa's aging population and to increase the overall number of Iowa workers who generate income and pay taxes to support schools and other services for our children, while also contributing to programs such as Social Security and Medicare that support retirees.

Our report looks specifically at the economic impact of the subset of Iowa immigrants who are undocumented, providing new estimates of tax payments made annually by undocumented immigrants. We then contextualize these contributions in relation to the specific types of public programs and services undocumented immigrant households are able (and in most cases unable) to access themselves. Recent estimates suggest that undocumented immigrants represent about 2.5 percent of the state population — about 75,000 persons.

While barred from accessing nearly all federal public assistance, undocumented immigrants in Iowa contribute about \$37 million annually in federal payroll taxes — supporting Social Security and Medicare, for which they are ineligible. Employers contribute another \$45 million on their behalf in payroll taxes and in contributions for unemployment insurance that undocumented immigrants are barred from receiving.

Undocumented immigrants are also ineligible for many state and local government programs. Yet the average undocumented immigrant family pays state sales, excise, and income taxes (at least half have income taxes withheld from their paychecks) amounting to about three-fourths of what citizens would pay at the same income level. Undocumented residents are barred from services that account for about one-fourth of the state budget.

Immigration reform enabling work authorization and a path to citizenship for current undocumented residents would bring benefits both to immigrants and the state generally. Legal work status would open up better job opportunities for undocumented immigrants, make it more worthwhile to invest in worker education and training, and reduce immigrants' vulnerability to wage depression and unfair competition. This would benefit all workers, including citizens who would no longer compete for jobs with workers whose immigration status makes them more likely to suffer wage theft or other abuses. We estimate higher wages accompanying legal work status attained through immigration reform would boost Iowa state and local tax contributions from currently undocumented immigrants by an estimated \$16.5 million.

Intense debates in Iowa on the best way to reform immigration laws in the United States should be grounded in an accurate understanding of Iowa's immigrant population. They should recognize the contributions immigrants make to the state's workforce, economy, tax revenues and communities. It is hoped that this report will go some way toward creating that understanding.

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