



## Immigrants Help Fund Our Public Programs

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Over the next 30 years, immigrants will pay more in taxes than they will consume in benefits, a new study from the Cato Institute found. This net positive flow in tax contributions shows that immigrants will continue to play an outsized role in supporting public services like schools and safety net programs such as nutrition assistance programs and social security.

Analysis of the 2021 American Community Survey shows that immigrant-led households paid \$524.7 billion in total taxes in 2021, a slight increase since 2019. This includes \$346.3 billion in federal income taxes, and \$178.4 billion in state and local taxes. These tax contributions made up 15.9% of total tax revenues governments received from U.S. residents in 2021, yet immigrants make up just 13.6% of U.S. households.

According to a recent Cato Institute white paper, over the next 30 years, immigrants will pay more in taxes than they will consume in benefits. Cato's paper provides some valuable ideas for estimating the economic contributions of U.S. residents. Their methodology builds off a model created by the National Academy of Sciences (NAS) for their 2017 report *The Economic and Fiscal Consequences of Immigration*, which provides a framework for policymakers to understand the economic impacts of immigration. Importantly, Cato's paper also notes that second generation immigrants tend to have a higher level of education than their parents.

The results of the Cato model indicate that the taxes paid (and earnings received), as well as benefits consumed by individual immigrants is highly dependent on the age of arrival and education. According to their estimates an individual with less than a high-school education who comes to the United States at age 25 will have a positive fiscal impact of \$216,000 when not including their descendants, or \$57,000 when including their descendants. On the other hand, a U.S.-born resident with less than a high-school education will have a net fiscal cost of \$32,000, and when including their descendants, this increases to a fiscal cost of \$177,000.

Age (immigrants are more likely to be of working age than U.S.-born residents), increasing levels of education among recent arrivals, and lower use of government benefits are the three main drivers of immigrants' positive fiscal impact.

While some rhetoric portrays immigrants quite differently, it is clear that immigrants are net contributors to these programs and the tax base at large, helping keep safety net programs accessible to those who need them. A recent report from the Social Security Board of Trustees found that the combined Old-Age, Survivors, and Disability Insurance (OASDI) Trust Funds are projected to become depleted by 2034. Because immigrants are more likely to be of working age, they are more likely to be key contributors to these programs in the coming years. In 2021, immigrants provided \$177.0 billion to Social Security through tax contributions.

Additionally, a recent study found that immigrants' contributions to Medicare helped prolong the solvency of the program and subsidized its care for roughly 60 million American seniors and disabled individuals. A report from the Medicare Board of Trustees indicates that Medicare's Hospital Insurance (HI) program will remain solvent through 2028. In 2028, the HI fund reserves will begin to be depleted. Immigrant tax

contributions towards Medicare go a long way in helping reduce the deficit of funding. In 2021, immigrants contributed \$48.3 billion in tax dollars to Medicare. Despite their contributions, immigrants are underrepresented as users of Medicare and Medicaid. Only 11.9% of users of these programs were foreign-born in 2021 despite the fact that immigrants are 13.6% of the overall population.

The Cato Institute white paper does not calculate the fiscal impact of undocumented immigrants, citing small sample sizes in CPS data. However, because undocumented immigrants have reduced eligibility for many benefits programs, their fiscal impact is almost certainly more positive than that of other groups. Analysis of the American Community Survey shows that undocumented households contributed \$31.1 billion in total taxes in 2021, including \$18.9 billion in federal income taxes and \$12.1 billion in state and local taxes.

Paying taxes is just one of many ways that immigrants contribute to U.S. society, though it has become particularly topical given the financial challenges many entitlements and public service programs are facing. Immigrants not only add cultural value to American communities but make valuable fiscal contributions that help ensure residents have access to fundamental programs such as Medicare, Social Security, and public education.