



# *News from the* Fiscal Policy Institute

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## *President's Immigration Action Expected to Benefit Economy Higher Tax Revenues Expected, and Positive Impact on U.S.-Born Workers*

In response to President Obama's announcement that he will use the power of the executive office to shield about 5 million people from deportation and give them authorization to work, the Fiscal Policy Institute has prepared answers to the following questions.

### **What are the economic implications of administrative relief?**

The Fiscal Policy Institute expects a 5 to 10 percent increase in wages for the roughly 5 million workers expected to be eligible for legal work status. A number of studies have looked at the economic benefits of gaining full legal status. In 2013, the Fiscal Policy Institute did [a meta-study](#) of these analyses, and found that they converged around the conclusion that the wage gain is about 10 percent.

David Dyssegaard Kallick, director of the Fiscal Policy Institute's Immigration Research Initiative, explains the reason for the wage gain: "Administrative relief should help currently unauthorized immigrants to find a better job match, and they will be less likely to be taken advantage of by employers."

"We're talking about immigrants who are already here, so the issue is not new workers competing with existing ones," adds Jared Bernstein, senior fellow of the Center on Budget and Policy Priorities. "In fact, bringing these workers out of the shadows will not only boost their wages, it could also bring some improvement for other workers. After all, if you find yourself working next to a group of workers who can be taken advantage of by your employer, that's bad for them but it's bad for you, too."

### **What about the impact on taxes and spending?**

The net fiscal implications are expected to be clearly positive.

Immigrants who gain this status will be paying taxes, and they will pay them on somewhat higher earnings than they have today. This will not change eligibility for programs such as SNAP (Food Stamps) or Temporary Assistance for Needy Families, and the newly registered immigrants are specifically excluded from subsidies in the Affordable Care Act.

State and local tax revenues would increase as a result of administrative relief. The Institute on Taxation

and Economic Policy (ITEP) [modeled a closely related question in 2013, and provides a state-by-state breakdown](#). Tax revenues would go up for two reasons. First, immigrants would be paying taxes on higher wages (see above). And second, they would be brought into full compliance in paying taxes.

The ITEP analysis considered a scenario in which all of the estimated 11 million unauthorized immigrants were given legal status. Administrative reform would be available to a little less than half that number, and wage gains would also be lower, so we estimate the gains in state and local tax revenues to be correspondingly lower. How much less? About a third to a half the size, at a first very rough approximation. The main reason is that administrative relief is expected to cover fewer people.

Looking at the cumulative gain in state and local taxes in all 50 states, Matt Gardner, executive director of the Institute on Taxation and Economic Policy, concludes: "President Obama's executive action could raise nearly a billion dollars a year in new state and local tax revenue—and our research suggests that if Congress were to enact a more comprehensive approach to legalizing undocumented families, the states could bring in twice that amount."

In New York State, for example, the net gain due to administrative relief would be about \$100 million in added state and local revenues per year.

### **What about federal taxes and spending?**

Even before this action, roughly half of unauthorized immigrants had payroll taxes withheld (which account for the biggest tax payment for all low-wage workers), and about the same share filed income tax returns. Immigrants granted administrative relief would be brought into full compliance on both payroll and income taxes.

The Council of Economic Advisors [put out a report today](#) that estimates that the federal deficit would be reduced by \$25 billion over the next 10 years as a result of the administrative relief.

### **Is this the immigration reform we've been waiting for?**

This is a major step forward. But, it is not a full immigration reform. It leaves an estimated 6 million unauthorized immigrants in the shadows. It does not address a system for workplace IDs. And, it does not address the question of future flows of legal immigrants. To implement a full immigration reform, as envisioned for example in the Senate bill passed in 2013, requires either that the House of Representatives vote on S.744, or that both houses pass a new immigration reform bill.

"It's a very good moment for the president to be doing this," Kallick adds. "There has been comparatively little unauthorized immigration in recent years. The next obvious step is for Congress to pass a bill that will not just be a stopgap measure but will address this problem permanently."

*The Fiscal Policy Institute ([www.fiscalpolicy.org](http://www.fiscalpolicy.org)) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. FPI's Immigration Research Initiative looks at immigration issues in New York State, and around the country.*