

At tax time, illegal immigrants are paying too

No one disputes money is coming in, just how much it adds up to

The Associated Press

updated 6:01 p.m. ET, Thurs., April. 10, 2008

NASHVILLE, Tenn. - The tax system collects its due, even from a class of workers with little likelihood of claiming a refund and no hope of drawing a Social Security check.

Illegal immigrants are paying taxes to Uncle Sam, experts agree. Just how much they pay is hard to determine because the federal government doesn't fully tally it. But the latest figures available indicate it will amount to billions of dollars in federal income, Social Security and Medicare taxes this year. One rough estimate puts the amount of Social Security taxes alone at around \$9 billion per year.

Paycheck withholding collects much of the federal tax from illegal workers, just as it does for legal workers.

The Internal Revenue Service doesn't track a worker's immigration status, yet many illegal immigrants fearful of deportation won't risk the government attention that will come from filing a return even if they might qualify for a refund. Economist William Ford of Middle Tennessee State University says there are no firm figures on how many taxpayers are in that situation.

"The real question is how many of them pay more than they owe. There are undoubtedly hundreds of thousands of people in that situation," Ford said.

But some illegal immigrants choose to file taxes and write a check come April 15, using an alternative to the Social Security number offered by the IRS so it can collect income tax from foreign workers.

"It's a mistake to think that no illegal immigrants pay taxes. They definitely do," said Martha Pantoja, who has been helping Hispanic immigrants this tax season as an IRS-certified volunteer tax preparer for the nonprofit Nashville Wealth Building Coalition.

Among those she has assisted is Eric Jimenez, a self-employed handyman who has worked in Nashville for several years. He feels obliged to pay taxes — even though, as Pantoja said, "nothing would happen" to him if he did not.

"I have an idea, a mentality, that to be a good citizen you have to pay taxes," he said. "Also, I'm conscious of the fact that the money we pay in taxes supports the schools and all the public services."

Pantoja said she has helped a number of construction workers who, because they are classified as independent contractors by their employers and have no taxes withheld, owe big tax bills come April. Beyond income tax, they have to pay the full Social Security and Medicare taxes due.

The Social Security Administration estimates that about three-quarters of illegal workers pay taxes that

contribute to the overall solvency of Social Security and Medicare.

The agency estimates that for 2005, the last year for which figures are available, about \$9 billion in taxes was paid on about \$75 billion in wages from people who filed W2 forms with incorrect or mismatched data, which would include illegal immigrants who drew paychecks under fake names and Social Security numbers.

Spokesman Mark Hinkle says Social Security does not know how much of the \$9 billion can be attributed to illegal immigrants. The number is certainly not 100 percent, but a significant portion probably comes from taxes paid by illegal immigrants.

Nine billion dollars sounds like a lot of money, and it is, but it is only about 1.5 percent of the total \$593 billion paid into Social Security in 2005.

The impact on Social Security is significant, though, because most of that money is never claimed by the people who pay it but instead helps cover retirement checks to legal workers.

Federal law prohibits paying Social Security to illegal immigrants, but the administration factors in both legal and illegal immigration when projecting the trust fund's long-term solvency.

This is especially important as the 78 million-member baby boom generation begins to leave the work force and draw Social Security checks.

"Overall, any type of immigration is a net positive to Social Security. The more people working and paying into the system, the better," Hinkle said. "It does help the system remain solvent."

The Social Security Administration drew from census and Immigration and Customs Enforcement data in 2007 to project the effects of higher and lower immigration patterns.

If net immigration is high at 1.3 million people a year, the SSA's combined trust fund would be exhausted in 2043. But the fund runs out four years earlier if annual net immigration amounts to about half that — 472,500 legal immigrants and 250,000 illegal immigrants.

The Internal Revenue Service doesn't have an estimate of how many illegal immigrants pay income tax.

But one indicator is the 9 million W-2 forms with mismatched names and Social Security numbers it received in 2004. The IRS said the W-2 forms with invalid Social Security numbers reported about \$53 billion in wages and about three-fourths of that, \$40 billion in wages, had taxes withheld.

The IRS also has been issuing Individual Taxpayer Identification Numbers, or ITINs, for 12 years to foreigners without a Social Security number. It's believed that many

workers who seek the ITINs are in the country illegally, and the IRS reported that there were 2.5 million tax returns filed with an ITIN in 2004.

In 2006, then IRS Commission Mark Everson told Congress that “many illegal aliens, utilizing ITINs, have been reporting tax liability to the tune of almost \$50 billion from 1996 to 2003.”

An IRS spokesman said more recent figures aren’t available.

The Social Security and Medicare taxes from mismatched W2s for the same period was \$41.4 billion, Hinkle said.

That adds up to roughly \$90 billion in federal taxes during they eight-year period.

The IRS defends the ITIN system, despite criticism that some illegal immigrants have used it to open bank accounts, get mortgages and establish a record of residency

and taxpaying they hope might someday lead to legal status.

“The ITIN program is bringing taxpayers into the system,” Everson told Congress.

Middle Tennessee State’s Ford, who has studied taxes and immigration, says a majority of economists agree that illegal immigrants are a net benefit for the U.S. economy.

He said the tax contributions from illegal immigrants, including sales taxes, property taxes and excise taxes (such as the gas tax), are significant.

He calculates that illegal immigrants contributed \$428 billion dollars to the nation’s \$13.6 trillion gross domestic product in 2006. That number assumes illegal immigrants are 30 percent less productive than other workers.

“If anything we need more immigrants coming into the country, not less, especially with the baby boomers retiring,” he said.