

For Release: July 10, 2013

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Undocumented Immigrants in Hawaii Pay \$60 million Annually in State and Local Taxes; Immigration Reform Would Boost State Revenues by nearly \$20 million

New 50-State Study From The Institute On Taxation And Economic Policy

Washington, DC – With fiscal costs and benefits figuring large in the immigration reform debate, a new analysis estimates that unauthorized immigrants are already paying \$10.6 billion a year in state and local taxes nationwide, including the \$60,266,000 they pay in Hawaii. The study also estimates that Hawaii stands to gain \$19,316,000 in increased revenue should undocumented immigrants currently in the U.S. be allowed to work here legally. The analysis from the Institute on Taxation and Economic Policy (ITEP) assumes a newly legalized immigrant population of 40,000 in Hawaii, 11.2 million nationally, fully participating in the federal, state and local tax systems. The overall revenue gain for all states would be \$2 billion a year.

States like Hawaii with progressive tax systems, which include an income tax, would see the most significant revenue change since it is in the income tax where compliance will increase under reform; unauthorized immigrants currently pay approximately the same level of sales and property taxes as other U.S. residents in the same income brackets.

“With undocumented workers in Hawaii paying over \$60 million in state taxes, we would hope that the state would be as generous in the provision of critical services for these too often marginalized and invisible residents,” said Victor Geminiani, Executive Director of Hawaii Appleseed Center for Law and Economic Justice.

“We know that undocumented immigrants already pay six or seven percent of their income in state and local taxes, simply because they buy things and they rent or own homes, and sales and property taxes are paid automatically,” said Matthew Gardner, ITEP’s Executive Director. “With legalization, both wages and tax compliance will go up, resulting in substantial new revenues for states, especially from the income tax.” A recent Congressional Budget Office (CBO) report concluded a similar effect on federal revenues.

The study, **Undocumented Immigrants’ State and Local Tax Contributions**, available at www.itep.org/immigration, finds:

- Undocumented immigrants in Hawaii currently contribute \$41 million via the GET, \$6 million in property taxes, and \$12 million in income taxes each year.
- Undocumented immigrants currently contribute a collective estimated \$10.6 billion in state and local taxes each year and are paying an average effective tax rate of 6.4 percent.
- Allowing undocumented immigrants to work legally will increase their state and local tax contributions by an estimated \$2 billion each year and raise their effective tax rate to 7 percent.
- Undocumented immigrants currently pay \$1.2 billion in personal income taxes, \$1.2 billion in property and \$8 billion in sales and excise taxes.

The report also provides:

- A break down of tax payments by category (sales, income, property) for each state, before and after immigration reform, including the effect of undocumented immigrants becoming newly eligible for state Earned Income Tax Credits.
- Key state-by-state data points on the immigrant population underlying the tax analysis.
- A complete methodology section and footnotes.
- The report and a clickable 50-state data map can be accessed at <http://www.itep.org/immigration>.

Hawaii Appleseed Center for Law and Economic Justice is a non-profit organization that advocates on behalf of Hawaii’s low-income individuals, families, and communities. Our mission is to help our clients gain access

to the resources, services and fair treatment that they need to realize their opportunities for self-achievement and economic security. Central to our mission are the core values held by most people in Hawaii, such as fairness, opportunity, community, partnership, responsibility and ensuring equal access to justice for low-income residents of Hawaii. www.hiappleseed.org

Founded in 1980, the Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization, based in Washington, DC, that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy. ITEP's full body of research is available at www.itep.org.