

State and Local Contributions of Undocumented Immigrants in New Jersey

County-by-County Data

Public debates around undocumented immigrants often suffer from a lack of sufficient and accurate information, particularly about the population's economic contributions. In addition to their many contributions to society, undocumented immigrants also make significant tax contributions at the state and local level. Undocumented immigrants in New Jersey contribute more than **\$587 million annually in state and local taxes**. Ranging from \$14 million in Atlantic County which is home to 12,000 undocumented immigrants to nearly \$80 million in Hudson County where 77,000 undocumented immigrants live and work.

The following tables provide county-by-county estimates on the current state and local level tax contributions of New Jersey's nearly half million undocumented immigrants and the increase in contributions if all these taxpayers were granted legal status as part of comprehensive reform. As New Jersey representatives debate immigration policy at the federal level this data will provide much needed context on the tax contributions of undocumented immigrants living and working in New Jersey.

Table 1: Effective Tax Rate Paid by New Jersey's Undocumented Immigrants by County

Current vs. Full Legal Status for All New Jersey Undocumented Immigrants

County	Est. # Undocumented Immigrants	Current Taxes Paid	Current Effective Tax	If Granted Full Legal	New Effective	Tax Change
Atlantic County	12,000	\$14,154,600	7.7%	\$15,930,900	8.7%	+\$1,776,300
Bergen County	56,000	\$68,689,000	7.6%	\$78,140,600	8.6%	+\$9,451,600
Camden County	14,000	\$16,513,700	7.7%	\$18,586,000	8.7%	+\$2,072,300
Essex County	58,000	\$64,018,300	7.3%	\$71,912,000	8.2%	+\$7,893,700
Hudson County	77,000	\$79,843,900	6.7%	\$90,521,500	7.6%	+\$10,677,600
Mercer County	26,000	\$31,346,100	8.1%	\$35,150,700	9.1%	+\$3,804,600
Middlesex County	60,000	\$79,550,600	8.3%	\$89,776,200	9.4%	+\$10,225,600
Monmouth County	23,000	\$25,683,700	7.4%	\$28,700,100	8.3%	+\$3,016,400
Morris County	22,000	\$28,537,200	8.0%	\$32,237,700	9.0%	+\$3,700,500
Ocean County	14,000	\$16,513,700	7.7%	\$18,586,000	8.7%	+\$2,072,300
Passaic County	42,000	\$43,271,900	7.2%	\$48,391,000	8.1%	+\$5,119,100
Somerset County	16,000	\$18,872,800	7.7%	\$21,241,100	8.7%	+\$2,368,300
Union County	49,000	\$57,563,700	7.8%	\$64,535,900	8.7%	+\$6,972,200
Other Counties	29,000	\$42,855,900	10.6%	\$47,420,800	11.7%	+\$4,564,900
NJ TOTAL	498,000	\$587,414,900	7.7%	\$661,130,400	7.9%	+\$73,715,500

Table 2: State and Local Taxes Paid by New Jersey's Undocumented Immigrants by County

Current vs. Full Legal Status for All New Jersey Undocumented Immigrants

County	Est. # Undocumented Immigrants	Personal Income Taxes			Property Taxes			Sales and Excise Taxes			Total State and Local Taxes		
		Current	If Granted Full Legal Status	Tax Change	Current	If Granted Full Legal Status	Tax Change	Current	If Granted Full Legal Status	Tax Change	Current	If Granted Full Legal Status	Tax Change
		Atlantic County	12,000	\$1,184,300	\$1,663,500	+\$479,200	\$6,562,000	\$7,218,200	+\$656,200	\$6,408,300	\$7,049,200	+\$640,900	\$14,154,600
Bergen County	56,000	\$5,974,000	\$9,154,100	+\$3,180,100	\$31,589,300	\$34,748,300	+\$3,159,000	\$31,125,600	\$34,238,200	+\$3,112,600	\$68,688,900	\$78,140,600	+\$9,451,700
Camden County	14,000	\$1,381,700	\$1,940,800	+\$559,100	\$7,655,600	\$8,421,200	+\$765,600	\$7,476,400	\$8,224,000	+\$747,600	\$16,513,700	\$18,586,000	+\$2,072,300
Essex County	58,000	\$5,624,600	\$7,679,000	+\$2,054,400	\$27,607,700	\$30,368,400	+\$2,760,700	\$30,786,000	\$33,864,600	+\$3,078,600	\$64,018,300	\$71,912,000	+\$7,893,700
Hudson County	77,000	\$7,747,800	\$11,215,900	+\$3,468,100	\$30,694,500	\$33,763,900	+\$3,069,400	\$41,401,600	\$45,541,700	+\$4,140,100	\$79,843,900	\$90,521,500	+\$10,677,600
Mercer County	26,000	\$2,475,500	\$3,393,000	+\$917,500	\$15,343,500	\$16,877,900	+\$1,534,400	\$13,527,100	\$14,879,800	+\$1,352,700	\$31,346,100	\$35,150,700	+\$3,804,600
Middlesex County	60,000	\$6,248,100	\$9,143,400	+\$2,895,300	\$40,069,500	\$44,076,500	+\$4,007,000	\$33,233,000	\$36,556,300	+\$3,323,300	\$79,550,600	\$89,776,200	+\$10,225,600
Monmouth County	23,000	\$2,184,900	\$2,851,300	+\$666,400	\$11,332,600	\$12,465,900	+\$1,133,300	\$12,166,200	\$13,382,900	+\$1,216,700	\$25,683,700	\$28,700,100	+\$3,016,400
Morris County	22,000	\$2,332,800	\$3,412,800	+\$1,080,000	\$13,794,300	\$15,173,700	+\$1,379,400	\$12,410,100	\$13,651,100	+\$1,241,000	\$28,537,200	\$32,237,600	+\$3,700,400
Ocean County	14,000	\$1,381,700	\$1,940,800	+\$559,100	\$7,655,600	\$8,421,200	+\$765,600	\$7,476,400	\$8,224,000	+\$747,600	\$16,513,700	\$18,586,000	+\$2,072,300
Passaic County	42,000	\$3,793,800	\$4,965,100	+\$1,171,300	\$18,378,200	\$20,216,000	+\$1,837,800	\$21,099,900	\$23,209,900	+\$2,110,000	\$43,271,900	\$48,391,000	+\$5,119,100
Somerset County	16,000	\$1,579,000	\$2,218,000	+\$639,000	\$8,749,300	\$9,624,200	+\$874,900	\$8,544,400	\$9,398,900	+\$854,500	\$18,872,700	\$21,241,100	+\$2,368,400
Union County	49,000	\$4,717,000	\$6,404,600	+\$1,687,600	\$26,973,000	\$29,670,300	+\$2,697,300	\$25,873,700	\$28,461,000	+\$2,587,300	\$57,563,700	\$64,535,900	+\$6,972,200
Other/Balance	29,000	\$2,522,400	\$3,053,900	+\$531,500	\$25,916,800	\$28,508,500	+\$2,591,700	\$14,416,800	\$15,858,400	+\$1,441,600	\$42,856,000	\$47,420,800	+\$4,564,800
NJ TOTAL	498,000	\$49,147,500	\$69,036,300	+\$19,888,800	\$272,322,000	\$299,554,200	+\$27,232,200	\$265,945,400	\$292,540,000	+\$26,594,600	\$587,414,900	\$661,130,500	+\$73,715,600

Population and Income

While the spending and income behavior of undocumented immigrant families is not as well documented as that of US citizens, the estimates in this analysis represent a best approximation of the taxes families headed by undocumented immigrants likely pay.

The ITEP methodology used to calculate the current and potential tax contribution of undocumented immigrants uses five main data points:

1. Estimated undocumented immigrant population in each county
2. Average size of undocumented immigrant families/taxpaying units
3. Range of annual undocumented immigrant family/taxpayer income in each county
4. Estimated number of undocumented immigrants who are homeowners in each county
5. Estimated effective tax rates (taxes as share of income) paid by low- and moderate-income families for sales and income in New Jersey, and estimated effective tax rates for property taxes in each county

Additional assumptions are made (and described below) about the change in tax contributions that would occur if all 11 million undocumented immigrants were granted legal status under comprehensive immigration reform.

1. Estimated undocumented immigrant population in each state

Estimates of the undocumented immigrant population in 13 of New Jersey's 21 counties are from the Migration Policy Institute (MPI).¹ The other counties are the balance of the estimated undocumented population according to MPI's state estimate. According to MPI, an estimated 498,000 undocumented immigrants resided in New Jersey as of 2014. The 13 counties analyzed are the counties with the highest undocumented populations.

2. Average size of undocumented immigrant families/taxpaying units

The Pew Research Center calculated a nationwide estimate of the number of people per undocumented immigrant family. The most recent estimate, 2.29, is used to find an estimated number of undocumented families (or taxpaying units) by county.² ITEP divided population estimates for each county by the average family size to find an estimated number of undocumented families/taxpaying units living in each county.

3. Range of annual undocumented immigrant family/taxpayer income in each state

Estimates of the income distribution of undocumented families are from MPI data on the number of undocumented immigrants in five discrete income groups based on the 2014 federal poverty level in nine of the 13 counties analyzed.³ For the remaining four counties ITEP used the average state distribution in the income groups to estimate the population distributions.* ITEP used the midpoint of the income ranges in each group as an estimate of average income within each group and multiplied by the number of families/taxpaying units in each group to calculate aggregate income in these groups.

*Note: For Morris County, MPI only had population estimates for two of the five income groups and the total county estimate. ITEP divided the remaining population proportionately to estimate the population in the remaining three income groups.

4. Estimated number of undocumented immigrants who are homeowners

ITEP used MPI data on undocumented families' homeownership rates for each county for nine of the 13 counties analyzed. For the remaining four counties ITEP used the average state home ownership rates. We then calculated separate property tax incidence analyses for homeowners and renters in each state. Applying the homeowner effective tax rates to the homeowner population and the renter tax rates to the renter population yielded a combined property tax estimate for all undocumented families in each county.⁴

5. Estimated effective tax rates (taxes as share of income) for sales, income, and property taxes paid by low- and moderate-income families in New Jersey⁵

ITEP's microsimulation computer model is a sophisticated program that applies the state and local tax laws in each state (including sales, excise, income, and property tax laws) to a statistically valid database of tax returns to generate estimates of the effective tax rates paid by taxpayers at various income levels under state and local tax law in place as of December 31, 2014. In January of 2015, ITEP released the 5th edition of *Who Pays?* which estimates the effect of the state and local tax laws as of January 2015 on taxpayers at 2012 income levels. This analysis applies effective tax rates calculated in the 2015 *Who Pays?* report for New Jersey to the undocumented population. The effective tax rates were slightly modified for the analysis to include the enhancements made to New Jersey's Earned Income Tax Credit in 2015 (this change applies only to the analysis granting legal status and does not impact the current tax contributions).

The following assumptions were made to calculate the sales, income, and property taxes of the undocumented immigration population:

- ♦ **Sales tax:** Sales taxes are collected by retailers every time a purchase is made on a taxable good or service. It is reasonable to assume that undocumented immigrants pay sales tax at similar rates to U.S. citizens and legal immigrants with similar incomes. This analysis adjusts the estimated annual incomes for each state downward by 10 percent for purposes of calculating the sales tax paid to account for remittances. Research shows that undocumented immigrants send about 10 percent of their income to families in their countries of origin, so this portion of undocumented taxpayers' income is unavailable for taxable consumption.⁶
- ♦ **Income tax:** Various studies have estimated between 50 and 75 percent of undocumented immigrants currently pay personal income taxes using either false social security (SSN) or individual tax identification (ITIN) numbers.⁷ This analysis assumes a 50 percent compliance rate for current taxes and 100 percent post-reform granting legal status to all undocumented immigrants.
Undocumented immigrants are currently ineligible to receive the federal Earned Income Tax Credit (EITC) and state versions of the credit because they lack the legal authority to work in the U.S. Accordingly, the impact of state EITCs has been removed from the current personal income tax estimates. This has the effect of increasing the effective income tax rates paid by these undocumented taxpayers under current law.
- ♦ **Property tax:** The first step in calculating property taxes was to identify the share of undocumented immigrant families who are homeowners or renters in each county. This analysis used county-by-county data from MPI to estimate homeownership rates for undocumented immigrants in nine of the 13 counties analyzed. State homeownership rates for undocumented immigrants were used for the remaining four individually analyzed counties and the remaining nine counties. The model assumes that for renters, half of the cost of the property tax paid initially by owners of rental properties is passed through to renters.

Additional indicators used to make calculations for anticipated state and local tax changes if legal status is granted as part of comprehensive immigration reform:

- ♦ ***Wage boost:*** This study assumes that having the authority to work legally in the United States would increase undocumented immigrants' wages and thus increase the taxes paid by those same immigrants, based on research by the Fiscal Policy Institute. Examining a number of studies on immigrant wages, this research consistently found that legal immigrants had higher wages than undocumented immigrants and gaining legal status could boost wages anywhere between 6 and 15 percent.⁸ A Congressional Budget Office report on the economic impact of immigration reform estimated the eventual wage boost to be 12 percent.⁹ This study assumes a conservative estimate of a 10 percent wage hike by granting legal status to all 11 million undocumented immigrants. An increase in income would also contribute to a slight increase in the sales, income, and property tax payments of the currently undocumented immigrant population.
- ♦ ***Personal income tax compliance:*** As explained above, current estimates of undocumented immigrants' income tax compliance rates range from 50 to 75 percent. To calculate the anticipated income tax gain from allowing undocumented immigrants to work in the U.S. legally, this analysis assumes full compliance with state personal income tax laws post-reform given the strong incentives for tax compliance likely to be included in a comprehensive reform measure. It is important to note that the same tax rules and provisions that apply to the general population will apply to undocumented immigrants filing income taxes.
- ♦ ***Earned Income Tax Credit eligibility:*** Post-reform, the study assumes that working immigrants granted the legal right to live and work in the U.S. and who are otherwise eligible for the EITC will claim the credit. This analysis also assumes that working immigrants meeting EITC eligibility criteria and granted the legal right to work under comprehensive immigration reform will claim the state versions of the credit. This study includes the impact of the improvements made to New Jersey's EITC in 2015.

¹ Migration Policy Institute

² Passel, Jeffrey S., and D'Vera Cohn. "Unauthorized Immigrant Population, National and State Trends, 2010." *Pew Hispanic*, Pew Research Center, 1 Feb. 2011, www.pewhispanic.org/2011/02/01/unauthorized-immigrant-population-national-and-state-trends-2010/.

³ Migration Policy Institute

⁴ Ibid.

⁵ Davis, Carl, et al. "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States." *Who Pays?*, 5th ed., Institute on Taxation and Economic Policy, Jan. 2015, www.whopays.org.

⁶ See among others: Orozco, Manuel. "Remittances to Latin America and the Caribbean: Issues and Perspectives on Development." *Summit of the Americas*, Organization of American States, Sept. 2004, www.summit-americas.org/Panels/Panel_on_Remittances/INF5_Remesas_Orozco_ENG.pdf.

⁷ See among others: Feinleib, Joel, and David Warner. "Issue Brief #1: The Impact of Immigration on Social Security and the National Economy." *Social Security Advisory Board*, Social Security Advisory Board, Dec. 2005, www.ssab.gov/Portals/0/OUR_WORK/REPORTS/Impact%20of%20Immigration%20on%20Social%20Security%20Brief_2005.pdf; Singer, Paula, and Linda Dodd-Major. "Identification Numbers and U.S. Government Compliance Initiatives." *Tax Analysts*, 20 Sept, 2004; and Cornelius, Wayne, and Jessica Lewis. *Impacts of Border Enforcement on Mexican Migration: The View from Sending Communities*, La Jolla, Calif.: University of California at San Diego, Center for Comparative Immigration Studies, 2007.

⁸ Kallick, David Dyssegaard. "Three Ways Immigration Reform Would Make the Economy More Productive." *Fiscal Policy Institute*, Fiscal Policy Institute, 4 Jun., 2013, fiscalspolicy.org/wp-content/uploads/2013/06/3-ways-reform-would-improve-productivity.pdf (see Appendix A: A Review of the Literature on Legalization and Earnings, and also this report's methodology section for more information on the wage effects of granting legal status to the entire undocumented population).

⁹ "Economic Impact of S. 744, Border Security, Economic Opportunity, and Immigration Modernization Act." *Congressional Budget Office*, Congressional Budget Office, Jun. 2013, www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/44346-Immigration.pdf.