



# THE NATIONAL IMMIGRATION FORUM

...TO EMBRACE AND UPHOLD AMERICA'S TRADITION AS A NATION OF IMMIGRANTS

220 I Street, NE, Suite 220, Washington, D.C. 20002

E-Mail: [info@immigrationforum.org](mailto:info@immigrationforum.org)

## PUBLICATIONS AND RESOURCES

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### Immigrants and the Economy

Immigrants wear many hats in American society. They are family members, students, workers, business owners, investors, clergymen, and members of the armed services-to name just a few of their roles. According to the most comprehensive study ever done on immigrants, the National Academy of Sciences (NAS) found that in all their combined roles, immigrants make indispensable contributions to our economy. They compose an increasingly essential proportion of our workforce. Through their tax payments, they help finance the costs of schools, health care, roads, welfare payments, Social Security, and the nation's defense. Of course, immigrants are also users and beneficiaries of these government programs.

**Immigrants are a Plus for our Economy** – Immigrants and their children bring long-term economic benefits to the United States as a whole. Immigrants add about *\$10 billion* each year to the U.S. economy. This estimate does not include the impact of immigrant-owned businesses or the impact of highly skilled immigrants on overall productivity.

**Immigrants Pay Their Way** – By conservative estimates, immigrant households paid an estimated *\$133 billion* in direct taxes to federal, state, and local governments in 1997. The typical immigrant and his or her descendants pay an estimated \$80,000 more in taxes than they will receive in local, state, and federal benefits over their lifetimes.

**Naturalized Immigrants Pay More than Their Share** – Immigrants who become U.S. citizens typically pay more in taxes than do native-born Americans. Adult, foreign-born, naturalized citizens actually have higher adjusted gross incomes (averaging \$40,502) than families with U.S.-born citizens only (\$35,249). Federal taxes paid by families with a naturalized citizen average \$6,580 per year compared with \$5,070 for U.S.-born-only families.

#### Major High Tech Companies Started by Immigrants\*

Company/Consortium	U.S. Employees	Annual Revenues
Intel	29,000	\$11.5 billion
Sun Microsystems	11,000	\$6.0 billion
Computer Associates	9,000	\$2.6 billion
Solectron	4,545	\$1.5 billion
Lam Research	3,600	\$811 million
LSI Logic	2,600	\$902 million
AST Computer	2,248	\$2.4 billion
Wang Laboratories	2,000	\$1.0 billion
Amtel	2,000	\$600 million
Cypress Semiconductor	1,500	\$600 million
Total	67,493	\$27,913 billion

\* Note: At least one of the company founders was foreign born.

Source: Stuart Anderson. *Employment-Based Immigration and High Technology*, (Washington, DC: Empower America, 1996).

#### Immigrant-Founded Businesses Are an Important Revenue Source –

Businesses founded by immigrants are a source of substantial economic and fiscal gain for U.S. citizens. Ten high-tech firms founded by immigrants, generated *\$28 billion* in revenues in 1996. These and other businesses started by immigrants add at least another *\$29 billion* to the total amount of taxes paid by immigrants.

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**As They Assimilate, Immigrants Become Net Economic Contributors** – Immigrants' earnings rise over time as they climb the economic ladder of success in America. In their first years in the United States, immigrants typically are a net cost to the country, but over time— usually after 10 to 15 years in the United States—they turn into net contributors.

**An Education and Training Windfall** – Most immigrants arrive in the United States in the prime of their working years. More than 70 percent of immigrants are over the age of 18 when they arrive in the United States. That means there are roughly 17.5 million immigrants in the United States today whose education and upbringing were paid for by the citizens of the sending country, not American taxpayers. The windfall to the United States of obtaining this human capital at no expense to American taxpayers is roughly *\$1.43 trillion*. This makes immigrants a fiscal bargain for our country.

**Immigrant Workers are Essential to the U.S. Economy** – During the recent unprecedented expansion in the American economy, immigrant workers were essential in filling jobs ranging from computer programmers to hotel and restaurant workers. As America's workforce ages, and the "baby boomers" retire, immigrants will again play an essential role in reducing a long-term projected labor shortage. The U.S. Department of Labor projects that between 1998 and 2008, the number of jobs will increase by 20 million, but the number of workers will increase by just 17 million. Federal Reserve Chairman Alan Greenspan has repeatedly commented that, when labor markets are tight, immigration is an important source of workers. With the U.S. labor supply projected to shrink relative to the number of jobs, Greenspan says that "there is an effective limit to new hiring, unless immigration is uncapped."

**Immigrants Are Net Contributors to Social Security and Medicare** – The total net benefit (taxes paid over benefits received) to the Social Security system in today's dollars from continuing current levels of immigration is nearly \$500 billion for the 1998-2022 period and nearly \$2.0 trillion through 2072. Our population is aging, and each worker will be supporting a growing population of retirees. Immigrant workers will be an essential component to solving the long-term problem of financing Social Security.

**Federal vs. State and Local Tax Imbalance** – Like natives, immigrants use more state and local services than they pay for in state and local taxes. The average immigrant imposes a net lifetime fiscal cost on state and local governments of \$25,000. Their overall net tax contribution, when considering all levels of government is explained by the fact that most of the taxes immigrants pay—income and social security taxes—go to the federal government, while many of the services used—schools, hospitals, and roads—are provided by local governments. Despite this imbalance, there is no evidence that states or cities with large immigrant populations perform worse economically than those with small immigrant populations. In fact, just the opposite is generally true.

**New Rules to Affect Fiscal Calculations** – Working-age immigrants who have been in the United States for more than ten years are less likely to receive welfare than the native-born. The exceptions, because of their special needs, are refugees and elderly immigrants. Welfare rules enacted by Congress in 1996 have made newly-arrived immigrants ineligible for most welfare benefits. This change will significantly affect cost/benefit calculations in the future, making the net fiscal benefit of immigrants even higher than it is today.

**Beyond Fiscal Calculations** – Overall, immigrants are a fiscal bargain for American taxpayers. Of course, the value of immigrants is not primarily measured by the dollar calculation of their fiscal impact. Immigrants contribute to America in many ways other than the size of their tax payments and the amount they pump into our economy. Their enrichment of our culture and the overall vitality they bring to American society are immeasurable in fiscal terms. They are a vital benefit to all Americans.

#### **SOURCES:**

National Research Council, National Academy of Sciences, *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration*, National Academy Press, 1997

Stephen Moore, *A Fiscal Portrait of the Newest Americans* (Washington, DC: National Immigration Forum and Cato Institute, 1998).

Alan Greenspan, *Technology and the Economy*, Remarks before the Economic Club of New York, NY, January 13, 2000.

Ibid., *Statement before the Committee on Banking and Financial Services U.S. House of Representatives* February 17, 2000, <<http://www.house.gov/banking/21700gre.htm>>