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Colorado's undocumented immigrants: What they pay, what they cost in taxes

By Elena Fairley and Rich Jones

Amid a contentious debate regarding immigration in 2006, the Bell Policy Center estimated the cost of providing mandated government services to undocumented immigrants in Colorado at \$225 million per year. Our most recent estimate is \$166.6 million. And we calculate that these households pay \$167.5 million in state and local taxes.

That debate continues today, and a flash point is often the impact of undocumented immigrants on state and local spending. Some groups, such as the Federation for American Immigration Reform (FAIR), assert undocumented immigrants cost Colorado taxpayers nearly \$1.1 billion annually.¹ FAIR also estimates that undocumented immigrants in Colorado pay \$160 million in taxes.

Our analysis shows that FAIR's cost data is widely inflated, while the group's tax estimate is fairly accurate. This report updates two studies the Bell Policy Center published in 2006, which found that the costs of providing services to undocumented immigrants totaled \$225 million and that they paid between \$159 and \$194 million in state and local taxes.

Cost of providing services

According to the Pew Hispanic Center, there are 180,000 undocumented immigrants living in Colorado in 2010. Based on this number and data from other government agencies, we estimate that the cost of providing federally mandated services – K-12 education, emergency medical care and incarceration – to undocumented immigrants in Colorado is \$166.6 million.

Taxes paid by undocumented immigrants

Regardless of status, undocumented immigrants are an inseparable part of our economy. Like other Coloradans, they live in houses and consume goods. And like all Colorado consumers, they cannot avoid paying

Table 1

Cost of federally mandated services

K-12 education	\$107,535,186
Emergency medical care	\$26,516,485
Incarceration	\$32,513,200
Total	\$166,564,873

Table 2

Taxes paid by undocumented immigrants

Personal income taxes	\$30,917,182
Property taxes	\$21,955,686
Sales taxes	\$114,638,239
Total	\$167,511,108

sales taxes on goods purchased or property taxes on homes they own or as part of rent payments to landlords. In addition, at least half of undocumented immigrants work “on the books” at jobs where state and federal income taxes are regularly withheld from their paychecks.

We can estimate the amount of state and local taxes



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undocumented immigrants pay based on the amount of taxes paid by other Coloradans with similar income and household demographics.

Using a model of Colorado's tax system developed and maintained by the Institute for Taxation and Economic Policy (ITEP), we estimate that households headed by undocumented immigrants in Colorado pay \$167.5 million in state and local taxes. This total is adjusted for the \$3,600 annually in remittances that these households send back to families in their countries of origin. It also assumes that half of the undocumented immigrants are working "on the books" and paying income taxes.

Based on this analysis, undocumented immigrants are paying taxes at a rate that fully covers the costs of providing federally mandated services to them.

■ Calculating the cost of federally mandated services

Calculating the costs of providing services to undocumented immigrants is difficult. Because the U.S. Census Bureau does not ask people about their immigration status, there is limited direct data on the number of undocumented immigrants living in Colorado.

Undocumented immigrants are not eligible for most government services, such as welfare, Medicaid health insurance, food stamps, housing assistance and financial aid to attend college.

Under federal law, the children of undocumented immigrants can attend K-12 public schools. Undocumented immigrants of all ages are entitled to emergency medical care. Those undocumented immigrants suspected of committing a crime or who are convicted criminals are subject to arrest and incarceration.

Using the most recent demographic information and state budget data, we estimate the total cost of providing federally mandated government services to undocumented immigrants in Colorado is \$166.6 million per year. Table 1 shows our estimates of the costs of providing K-12 education, emergency medical care and incarceration.

Our analysis found that the cost of providing services for undocumented immigrants has decreased by 25 percent since 2006, and the state's share accounts for a very small fraction of the overall state budget.

Following is a more detailed analysis of our cost estimates for all three services.

Table 3

Cost of education for undocumented students

Undocumented immigrants in Colorado	180,000
Undocumented immigrants under 18 (12.6 percent of total undocumented population)	22,680
Undocumented children 5-17 (30.5 percent of 18-and-under population is under age 5)	15,763
Statewide average per-pupil funding, 2010-11	\$6,822
Estimated costs for undocumented students	\$107,535,186

K-12 Education

To calculate the cost of educating Colorado's undocumented students in kindergarten through 12th grade, we estimated the number of undocumented immigrants ages 5-17, assuming all of these children are eligible to attend public school.

According to the most recent data from the Pew Hispanic Center, 12.6 percent of the nation's undocumented population is under age 18,² and we assume the demographics of Colorado's undocumented population mirror national trends. Using the 12.6 percent national estimate, we calculate that there are 22,680 undocumented immigrants in Colorado under age 18.

In order to account for the children too young to attend K-12 school, we used American Community Survey data that showed 30.5 percent of Colorado's total under-18 population is age 4 and younger.³ Based on that figure and assuming that the age of the undocumented population was similar to our overall population, we estimate that 6,917 undocumented children are younger than age 5 and not yet in school. After subtracting the number of children age 4 and under, we estimate there are 15,763 undocumented children age 5-17 living in Colorado.

In fiscal year 2010-2011, the statewide average per pupil funding for K-12 education was \$6,822, which includes both state and local school district spending.⁴



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Based on this data, we estimate that the cost of K-12 education for 15,763 undocumented students in Colorado is \$107.5 million in fiscal year 2010-11.

This represents less than 2 percent of the total funding for K-12 education from the state government and local school districts.⁵

In 2006, the Bell estimated that educating 28,480 undocumented K-12 students in Colorado cost roughly \$175.6 million a year. Because of the large drop in the number of school-aged undocumented immigrants living in Colorado, this cost has decreased dramatically in the past five years.

Emergency medical care

We use the Joint Budget Committee's estimate of \$65,311,545 to provide emergency medical care to 3,026 non-citizens as the cost of providing emergency medical care to undocumented immigrants in fiscal year 2010-11.⁶ This figure covers only life-threatening injury or illness and includes births. Undocumented immigrants are not eligible for Medicaid and receive no government-funded follow-up treatment, no rehabilitation and no drug treatment.

The federal government reimbursed Colorado for 59.4 percent, or \$38.8 million, of these costs.⁷

Based on these data, we estimate Colorado spent \$26.5 million to provide emergency medical care to non-citizens in fiscal year 2010-11.

This estimate overstates the cost of providing services for undocumented immigrants because it captures all non-citizens, many of whom are legal permanent residents.

Based on the Appropriations Report for fiscal year 2010-11, the cost of providing medical care to non-citizens represents just over 0.5 percent of the state budget for health care.⁸

The Joint Budget Committee estimated that

Colorado state government spent \$31.3 million to provide emergency medical care to non-citizens in fiscal year 2005-06. Even though health care costs have generally been rising, the overall cost of providing medical care to non-citizens has fallen over the past five years.

Again, this decrease is largely attributed to the smaller number of undocumented immigrants living in Colorado and their reduced use of emergency medical care since 2006.

Incarceration

The Colorado Department of Corrections and most Colorado county jails provide information related to incarcerating undocumented immigrants to the federal government in order to be reimbursed under the State Criminal Alien Assistance Program (SCAAP).

This information indicated that there were 3,772 "verifiable illegal aliens" incarcerated in state prisons and county jails in Colorado. Immigration Customs Enforcement considers these prisoners eligible for SCAAP reimbursements. These inmates were incarcerated for a total of 534,320 days in 2009, the most recent year for which data is available.⁹

According to data from the Colorado Department of Corrections (CDOC) Budget Office, it costs \$80.45 to incarcerate an inmate for one day in a CDOC facility.¹⁰ The rate for county jails is lower. Data from the County Sheriffs of Colorado show that it costs \$52.92 to incarcerate an inmate for one day in a county jail.¹¹

Based on these figures, we estimate that it cost about \$39 million to incarcerate undocumented immigrants in Colorado in 2009, with \$6.7 million being reimbursed by the federal government.¹²

We estimate the total net costs to the state and counties for incarcerating undocumented immigrants in 2009 was \$32.5 million.

The state's share represents only 4.2 percent of

Table 4

Cost of incarcerating undocumented immigrants in Colorado

	ICE-eligible inmates	Illegal inmate days	Daily cost per inmate	Cost of incarceration	Federal reimbursement	Net state, county costs
Counties	2,195	138,135	\$52.92	\$7,310,104	\$3,389,151	\$3,920,953
State	1,577	396,185	\$80.45	\$31,873,083	\$3,280,836	\$28,592,247
Total	3,772	534,320		\$39,183,187	\$6,669,987	\$32,513,200



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Colorado's total budget for corrections.¹³

This amount could underestimate the total costs because some undocumented immigrants may not be accounted for in the “verifiable illegal aliens” count and because some counties may have undocumented prisoners but did not submit a request for reimbursement.

Unlike K-12 education and emergency medical services, incarceration costs for undocumented immigrants have risen since our 2006 report. These increased costs are driven by growth in the number of inmates and the number of inmate days. Most of this increase occurred at the county level and likely reflects stepped-up enforcement of immigration laws over the past five years.

■ Calculating state and local taxes paid by undocumented immigrants

The Internal Revenue Service, the Colorado Department of Revenue and local governments do not collect data on the immigration status of taxpayers.

However, regardless of their status, undocumented immigrants are an inseparable part of our economy. They live in the community and buy goods and services in the normal course of life. Like all Colorado consumers, they cannot avoid paying sales taxes on goods purchased and gasoline taxes when they fill up their vehicles. Those who own or are buying a house pay property taxes directly. Those who rent, which we estimate to be the majority, pay property taxes indirectly as part of their rental payments.

The vast majority of undocumented immigrants work. Some work for cash in the underground economy. Others however, obtain documents and work “on the books” and have income taxes withheld from their paychecks.

The Center for Immigration Studies, a national organization that promotes more restrictive immigration laws, and FAIR both estimate that half of undocumented immigrants are working on the books.¹⁴ The Social Security Administration's chief actuary puts this figure at 75 percent, based on the payroll data reported to that agency.¹⁵ The more conservative estimate of 50 percent working on the books was used for this analysis.

Amount of taxes paid

Based on the number of households headed by an undocumented immigrant in Colorado, their average household income and Colorado's tax laws, the Institute for Taxation and Economic Policy (ITEP) estimates that

Table 5

State and local taxes paid by undocumented immigrants in Colorado

Personal income taxes	\$30,917,182
Property taxes	\$21,955,686
Sales taxes	\$114,638,239
Total taxes paid	\$167,511,108

undocumented immigrants in Colorado paid \$167.5 million in state and local taxes in 2010.

Table 5 shows how much was paid in total and by type of tax. ITEP used its micro-simulation model of Colorado's tax system to estimate the amount of sales, income and property tax the average undocumented family paid in 2010.¹⁶

Methods used to estimate taxes paid

The estimated amount of taxes paid by undocumented immigrants in Colorado was based on several factors:

- The number of undocumented immigrants in Colorado in 2010.
- Average family income for undocumented immigrants in Colorado in 2010.
- The average amount of remittances sent to family members in countries of origin.
- The number of undocumented immigrants working “on the books” and paying income taxes.

The number of undocumented immigrants living in Colorado in 2010 is based on estimates by the Pew Hispanic Center, a non-partisan, authoritative source for this information. Pew estimates that there were 180,000 undocumented immigrants living in Colorado in 2010.¹⁷

The average income of households headed by an undocumented immigrant is estimated to be \$36,000 per year. This is a national figure based on data from the Pew Hispanic Center; this is less than the national median household income for U.S.-born residents of \$50,000. We used the national figure because there are no Colorado-specific estimates for this data.¹⁸

A number of studies show that undocumented immigrants often send funds to family members living in their country of origin. A survey conducted by the



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Inter-American Development Bank found that 69 percent of Latin Americans living in Colorado regularly sent remittances back to family members. In 2004, each adult sent back \$2,008 per year.¹⁹ An updated survey in 2008 found that about \$2,400 in remittances was being sent by Colorado immigrant households.²⁰

Remittances lower the amount of money that is available to be spent in Colorado and affect the amount of state and local sales taxes paid by undocumented immigrants. For this calculation, it was estimated that undocumented households sent remittances equal to 10 percent of their household income, or \$3,600 per year, which is a national average. This estimate is higher than the \$2,400 in remittances that Colorado immigrant families sent in 2008. As a result, the estimated amount of sales taxes paid in Colorado is likely understated.

Estimates of the number of undocumented immigrants working “on the books” and having income taxes deducted from their paychecks varies from 50 percent to 75 percent. This estimate uses the more conservative estimate of 50 percent to calculate the amount of income taxes paid.

ITEP tax model

The Institute for Taxation and Economic Policy maintains detailed information on each state’s tax system. It created and maintains a model that shows how much people or households in different income groups pay in state and local taxes. ITEP used its model to estimate the amount of sales, income and property tax the average undocumented household pays in Colorado.

ITEP assumed that undocumented immigrants pay sales tax at the same rates as U.S. citizens and legal immigrants with similar incomes. Undocumented immigrants are also assumed to pay the same property taxes as others with the same income level. ITEP assumed that most undocumented immigrants are renters and calculated the amount of property taxes paid based on the amount renters pay. Income taxes are most affected by the likelihood that undocumented immigrants are working “on the books” and income

taxes are withheld from their paychecks. As stated previously, ITEP used the conservative estimate of 50 percent of undocumented immigrants working “on the books” in calculating the amount of income taxes paid.

■ Summary of cost estimates and taxes paid

Using reasonable estimates of the number of undocumented immigrants in Colorado and state budget data, we estimate the total costs of providing federally mandated government services to undocumented immigrants in Colorado is \$166.6 million.

We used the most recent data available in our calculations: fiscal year 2010-11 data to estimate K-12 education and emergency medical care costs, and calendar year 2009 data to estimate incarceration costs.

Undocumented immigrants are living and working in our communities. They are paying sales taxes on purchases in the same way that U.S. citizens and legal immigrants do. Given that the most conservative estimate is that 50 percent are working “on the books,” many undocumented immigrants are also paying income taxes.

Using data on the number of households headed by undocumented immigrants and their annual household income, we can estimate the taxes paid by undocumented immigrants based on the amount of taxes paid by all Coloradans with similar income and household demographics. We used ITEP’s micro-simulation model of Colorado’s tax structure to estimate the amount of taxes paid.

Based on this data, we estimate that undocumented immigrants pay \$167.5 million in state and local taxes annually. At this rate, they pay enough in taxes to fully cover the \$166.5 million in the costs to provide federally mandated services to them.²¹

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End notes

¹ Jack Martin, *The Costs of Illegal Immigration to Coloradans*, Federation for American Immigration Reform, 2010.

² Jeffrey S. Passel and D’Vera Cohn, *A Portrait of Unauthorized Immigrants in the United States, Estimates based on March 2008 data collected by the Census Bureau*, Pew Hispanic Center, April 2009.

³ American Community Survey, *U.S. Census Data. Demographic and Housing Estimates: 2005-2009*

⁴ Joint Budget Committee, *Fiscal Year 2010-11 Appropriations Report*, Department of Education, p. 72.

⁵ Ibid.

⁶ Joint Budget Committee, *Supplemental Requests for Fiscal Years 2010-11 and 2009-10*, Department of Health Care Policy and Financing, January 2011.

⁷ Joint Budget Committee, *Fiscal Year 2010-11 Appropriations Report*, Colorado, p. 122.

⁸ Ibid.

⁹ State Criminal Alien Assistance Program Awards, 2009.



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- ¹⁰ Conversation with Chuck Gilbert, statistical analyst I, Colorado Department of Corrections, Office of Planning and Analysis.
- ¹¹ Conversation with Don Christensen, executive director, County Sheriffs of Colorado.
- ¹² State Criminal Alien Assistance Program Awards, 2009.
- ¹³ Analysis based off data from State Criminal Alien Assistance Program Awards, 2009.
- ¹⁴ Steven A. Camarota, *The High Cost of Cheap Labor, Illegal Immigration and the Federal Budget*, Center for Immigration Studies, August 2004, p. 6, and *The Costs of Illegal Immigration to Coloradans*, Federation for American Immigration Reform, 2010, p 12.
- ¹⁵ Eduardo Porter, *Illegal Immigrants are Bolstering Social Security with Billions*, *The New York Times*, April 5, 2005.
- ¹⁶ Immigration Policy Center, *Unauthorized Immigrants Pay Taxes, Too*, April 18, 2011.
- ¹⁷ Jeffrey S. Passel, *Unauthorized Immigrant Population, National and State Trends, 2010*, Pew Hispanic Center, Feb. 1, 2011, p. 23.
- ¹⁸ Jeffrey S. Passel and D'Vera Cohn, *A Portrait of Unauthorized Immigrants in the United States*, April 14, 2009, p. 4, and *Unauthorized Immigrants Pay Taxes, Too*, April 2011.
- ¹⁹ Inter-American Development Bank, Colorado: Remittances from the U.S. to Latin American, 2004. Survey by Bendixen and Associates,
- ²⁰ Bendixen and Amandi, *Survey of Latin American Immigrants in the United States*, April 2008
- ²¹ Data from the Institute for Taxation and Economic Policy, presented by the Immigration Policy Center, and *Unauthorized Immigrants Pay Taxes, Too*, April, 2011.