

POLICY BRIEF **05.20.20**

Exploring Immigration Alternatives: Identification and Taxation of Undocumented Immigrants Residing in the United States

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INTRODUCTION

Estimates suggest that the undocumented immigrant population in the United States has declined from a maximum of 12.2 million in 2007 to approximately 10.5 million in 2017.¹ Of this group, there are an estimated 7.6 million participating actively in the labor force,² with the additional 800,000 recipients of the Deferred Action for Childhood Arrivals (DACA) program who are not considered undocumented residents in the strictest sense, but are also not green card holders. Thus, despite lacking legal paperwork, this population lives, works, and pays taxes in the country, contributing substantially to the economy of the United States, particularly in industries such as construction, hospitality, agriculture, food processing, restaurants, and manufacturing.

The presence of this population in the United States is a matter of wide controversy. Positions on the matter range from those who advocate for the deportation of all undocumented residents to those who support allowing them to stay in the United States with a path to legal residency and eventual citizenship. This fundamental disagreement, which falls largely along party lines, has been one of the most important obstacles to comprehensive immigration reform.

Setting aside the partisan and political disagreements, the lack of legal status for undocumented immigrants creates an inflexible barrier, limiting their potential to seek better labor market opportunities, higher salaries, and a chance to better provide for their families. This barrier also prevents them from increasing their potential to contribute to the U.S. economy at a higher level. Current visa and work permit programs disqualify and restrict this sizable population from ever gaining legal residency. These programs do not provide ways to allow undocumented immigrants to be identified and taxed properly or to work within the law to address their vulnerable situation. This is a perplexing policy given their substantive contributions to the U.S. economy.

Interestingly, there are some programs that may provide a path to resolve this seemingly intractable problem. More than one million unauthorized immigrants now enjoy some sort of temporary protection from deportation, allowing them to remain and work in the United States. They include the recipients of the DACA program—mentioned above—and the beneficiaries of the Temporary Protected Status (TPS) program and the Deferred Enforced Departure (DED) program. These protections, however, are only temporary—and risk being reduced or terminated, but



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their results are beginning to show that such programs do work and may be a good solution.

Indeed, these programs provide a natural experiment to understand the kinds of gains some undocumented residents have made upon acquisition of their protected status when compared to those who have remained undocumented. In some studies, DACA beneficiaries, for example, have shown important improvements in their educational, professional, and economic outlooks after they received their documents, in comparison to their peers who did not apply to the program.³

Thus, in the absence of comprehensive immigration reform, the evidence emerging from these programs points to a potential path to solve the issue of undocumented residents in the United States in a way that can benefit both the U.S. and these workers and their families.

OBJECTIVE OF THIS BRIEF

This brief explores whether programs like DACA, TPS, and DED could serve as politically feasible templates to deal with the status of undocumented residents by removing an important block to comprehensive immigration reform. It also seeks to lay out some of the more substantial benefits of what we call an *identification and taxation program* (ID and tax program).

AN ID AND TAX PROGRAM

The goal here is not to argue for a full path to citizenship—an outcome nearly impossible to achieve given the disagreement between the Democratic and the Republican parties on the matter — but simply to advocate for an ID and tax program that could benefit both undocumented workers and their families and the country's economy and security as a whole. Such a program would allow unauthorized residents to receive identification documents and to reside and work legally in the United States. In return, they would pay taxes much like any other

American. An ID and tax program would not include a path to legal permanent residence or citizenship, and, in that sense, its character would be more like that of the TPS or DACA programs. Admittedly, this is a limited solution for the workers themselves, but we believe it is politically feasible given that a pathway to U.S. citizenship for undocumented immigrants has been controversial. The divisiveness of the issue has also blocked comprehensive immigration reform—even if most polls show there is broad, bipartisan support from the American public—to grant most undocumented immigrants conditional legal status to live and work in the United States.⁴

To be sure, there is a need to develop and explore different methods to implement this option into public policy for the benefit of these unauthorized residents and the country. There is also a need to explore whether it is an acceptable solution for all political parties. We believe it is acceptable to most undocumented residents, primarily because they often just want a legal way to stay with their families and to work without living in fear of abuse, forced labor, coercive work practices, or exploitation.⁵ It may also be acceptable to their employers, who manifestly require their labor. However, an ID and tax solution, interestingly, would likely be unacceptable to the staunchest advocates of these immigrants, who often argue that they are essentially made to work for America without ever hoping to enjoy the political promises of the American dream.

ADDED BENEFITS OF AN ID AND TAX PROGRAM

This brief argues for allowing unauthorized immigrants who reside in the United States an opportunity to stay legally, work without fear, and be integrated as contributors to the tax base. It points to the fact that the DACA, TPS, and DED programs have already shown the benefits of granting legalized status for workers, families, and the country. In fact, these programs have shown that a legalized status generates both economic and fiscal benefits.⁶

There are, however, other added advantages. Besides the economic benefits, censusing this population and regularizing their presence in the country would also allow the U.S. government to know who is in the country, to increase public safety, and to enhance security cooperation between migrant communities and law enforcement. It would also strengthen national security through a more accurate knowledge of who is in the country. Finally, it would save the government important resources in pursuing its current policy of continual raids, mass detentions, and deportations and instead allow for funds to be allocated to modernizing the current immigration management system.

UNAUTHORIZED IMMIGRATION TRENDS IN THE U.S. FAVOR A LEGALIZATION PATH

The trends in the growth of the undocumented population in the United States and the dramatic slowdown in the number of individuals trying to enter the U.S. without authorization make the ID and tax solution politically feasible. The exact size of the unauthorized population living in the United States is not known, of course, because there is no official number or way to track this population. Widely accepted estimates, however, suggest the population to be anywhere from 10.5 to 12 million, with numbers remaining stable for the last decade and a half.⁷ Since the population of unauthorized individuals has not grown significantly for well over a decade now, this indicates that their numbers have plateaued. About half of this population resides in just a few states—California, Texas, Florida, New York, New Jersey, and Illinois.

Moreover, according to estimates from the Pew Research Center, for the first time in half a century, unauthorized Mexican immigrants are no longer the majority of the undocumented population residing in the United States.⁸ Table 1 illustrates the unauthorized immigrant totals from Mexico and key regions in 2007 and 2017.⁹ While the estimated undocumented population from Mexico declined, estimates from

TABLE 1 — ESTIMATED UNAUTHORIZED POPULATION IN THE U.S.

Estimated Unauthorized Population (In Thousands)	2007	2017
Latin America		
Mexico	6,950	4,950
Central America	1,500	1,900
South America	900	775
Caribbean	475	475
Other Regions		
Asia	1,300	1,450
Europe, Canada	650	500
Middle East	140	130
Africa	250	250
U.S. Total	12,200	10,500

SOURCE Jeffrey S. Passel and D'Vera Cohn, "Mexicans decline to less than half the U.S. unauthorized immigrant population for the first time," Pew Research Center, June 12, 2019, <https://www.pewresearch.org/fact-tank/2019/06/12/us-unauthorized-immigrant-population-2017/>.

Asia and Central America increased. This is important because it is now possible to approach the issue of migration through a broader regional approach, where Mexico too can aid in stopping undocumented migration to reduce the numbers of non-Mexicans attempting to reach the U.S. Two potential offers may entice Mexico to do so: 1) increasing the number of legal, temporary workers from Mexico allowed in the U.S., indexing it to U.S. economic growth, and 2) offering legalized status to the Mexican undocumented population already in the U.S.

Additionally, the number of apprehensions at the border has not been this low since the 1970s.¹⁰ In this sense, it is important not to conflate the trends in unauthorized border crossers—those who would make a run for the border between ports of entry, hoping not to be detected—and refugee and asylum seekers, who generally present themselves to border agents, seeking a court hearing. Both trends indicate that the issue of undocumented migration is, despite the

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hype, largely under control, meaning that there may be a political opportunity to propose an ID and tax plan.

Another important point is that most undocumented individuals have been living in the United States for over 15 years,¹¹ and many have long-established relationships with their employers. It should also be considered that many of these individuals live in mixed status families—families composed not only of citizens, but also of legal immigrants and undocumented immigrants. More than 4.1 million U.S. citizen children under the age of 18 live with at least one unauthorized parent.¹² A program that identified and properly taxed these workers would acknowledge their already deep integration into American society and would avoid painful and needless family separation—which hurts many U.S. citizen children and youth left behind after their parents have been deported. In that sense, an ID and tax policy would also integrate a humane approach to dealing with this resident population.

These trends are likely to continue into 2020 and beyond, as the post-pandemic employment and market outcomes for the United States are expected to be wide and deep. Particularly worrisome, is the coronavirus-induced upheaval that will impact the lives of unauthorized immigrants living in the United States. Undocumented migrants, often dehumanized, are individuals who will likely suffer from the Covid-19 disease.¹³ In this sense, their registration as legalized residents would aid public health as well. Keeping this population in the shadows can only complicate the crisis and recovery efforts.

A WORK AUTHORIZATION PATHWAY

Legislation has failed to provide a path to resolving the status of the millions of unauthorized immigrants living in the United States. Actions on a smaller scale, however, like former President Barack Obama's executive action establishing DACA in 2012 and the establishment of the TPS program and even the DED benefits, provide valuable insights on how

obtaining temporary deportation relief and employment authorization can profoundly impact immigrants. Such programs have helped undocumented residents improve their economic conditions and their psychological health to better live, work, and contribute to society.¹⁴ Studies have also revealed the economic impacts of the approximately 652,880 active DACA recipients as of September 2019.¹⁵ It is estimated that DACA recipients and their households pay a total of \$5.6 billion in federal taxes, \$3.1 billion in state and local taxes, and have \$24 billion in spending power.¹⁶ A Supreme Court decision on whether or not to continue DACA is expected no later than June 2020, but a recent filing to justices on March 27, 2020 warned that termination of DACA during the coronavirus pandemic would be catastrophic, as approximately 27,000 DACA recipients are health care workers.¹⁷

Even so, under the Trump administration, these programs are at risk of being terminated or further reduced. On top of this, there is no clear legislation that offers a pathway for unauthorized individuals—who just want to work legally in the United States—to achieve conditional or permanent protections. While these programs could be expanded to include larger qualifying populations, the political will to do so is another matter. It will be hard to achieve a bipartisan consensus on a path to legalization. However, a protected status program may be more feasible, especially to Republicans who view a pathway to citizenship as rewarding people for illegal activities (i.e., breaking the law by entering the U.S. without authorization or by overstaying a visa).

LABOR FORCE CHARACTERISTICS AND UNDOCUMENTED WORKERS

The time to try something different is ripe. As already suggested, along with a decline in the undocumented resident population and fewer border breaches by unauthorized crossers, even the number of unauthorized individuals in the workforce has declined in the last decade. Figure 1 shows the total

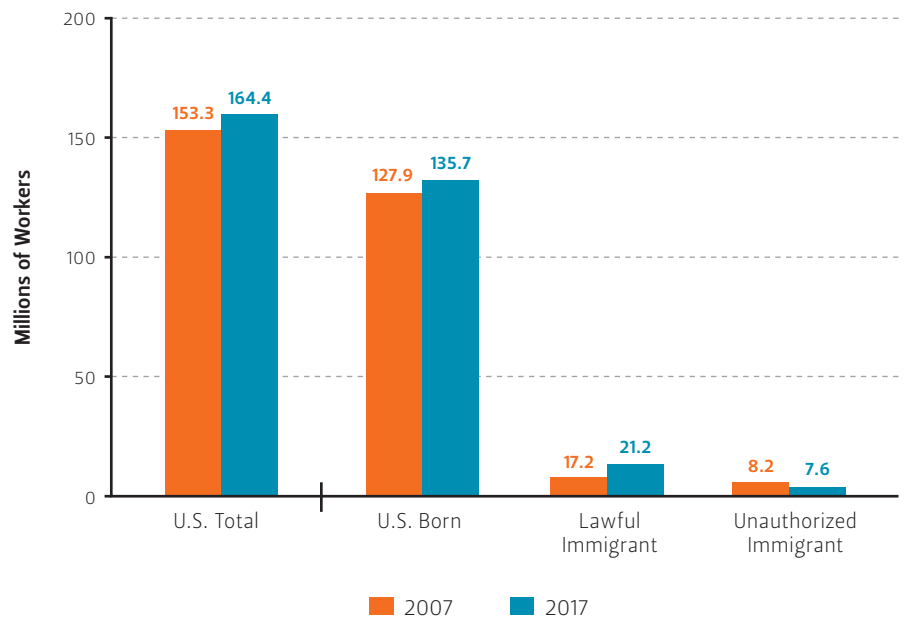
estimated labor force in the U.S., including around 7.6 million unauthorized immigrants in 2017, down from 8.2 million in 2007.¹⁸ This means that most undocumented workers are already part and parcel of the American workforce, and removing them might only hurt the American economy and especially those industries where they concentrate. There is already evidence that some sectors, such as construction, have been hemorrhaging workers, delaying projects, and raising costs.¹⁹

Interestingly, although the outcome of the current pandemic is not yet known, undocumented workers in some sectors have already demonstrated their value during the coronavirus crisis. The industries and labor markets where undocumented residents work, like many other industries, have been severely impacted by the pandemic. However, although a staggering 22 million individuals in the U.S. have filed unemployment claims as of April 2020 and an estimated 40 million will lose their jobs,²⁰ undocumented residents have stayed in their posts, particularly in the agricultural sector, helping to maintain the food supply for millions of quarantined Americans.

Data reported by the U.S. Bureau of Labor Statistics (BLS) suggests that minorities are some of the hardest hit with job losses during this time.²¹ The two surveys used by the BLS to produce these estimates likely include some undocumented immigrants, but neither survey identifies the legal status of workers surveyed, and therefore it is not possible to know the exact number of undocumented workers impacted by job losses.²² The industries that have experienced the largest share of job losses are leisure and hospitality, health care and social assistance, professional and business services, retail trade, and construction—industries that also have high concentrations of unauthorized immigrants among their workforce.²³ And yet, undocumented residents have put their lives on the line as much as anyone else.

The coronavirus pandemic highlights the serious vulnerabilities of millions of unauthorized immigrants living in the

FIGURE 1 — U.S. TOTAL LABOR FORCE, INCLUDING LAWFUL AND UNAUTHORIZED IMMIGRANT WORKERS



SOURCE Jynnah Radford, “Key Findings about U.S. Immigrants,” Pew Research Center, June 17, 2019, <https://www.pewresearch.org/fact-tank/2019/06/17/key-findings-about-u-s-immigrants/>

United States. Without work authorization, they are unable to rely on unemployment benefits and are not eligible for most federal public benefit programs. They also do not qualify for the economic impact checks that are a part of the U.S. federal government stimulus package, and many of them have low incomes, little to no savings, no health insurance, and no access to paid sick leave.²⁴ These workers are left with little to no protections, fearful of unsafe working conditions and getting sick themselves, on top of the added fear of being in this country without any protection from deportation.²⁵ While the overall impact on the unauthorized labor market is yet to be seen, it is clear that legislation is needed to bring this vulnerable population safely out of the shadows and to give them opportunities to gain proper work authorization so that they can legally contribute to society. This is especially important during difficult circumstances such as the coronavirus pandemic.

CONCLUSION

The United States needs innovative approaches to solve the pressing issue of undocumented immigrants living in the country. Health crises such as the coronavirus pandemic magnify how vulnerable this population is and how critically important it is to know who resides in the United States. The pandemic has also created an opportunity to recognize that undocumented immigrants play an essential role in the U.S. economy, especially as many are working on the front lines.²⁶ For example, some undocumented immigrants—particularly those working in the national food supply chain—have been deemed essential workers, underscoring the need to consider some kind of legalized status for their service during this trying time. According to a survey conducted by the Pew Research Center, a path to legal status is the top immigration policy goal in 2020 for Hispanics in the United States.²⁷ Immigrants will be needed to help repair the post-Covid-19 economy, and the pandemic offers a unique opportunity to transform the immigration system to be more equitable, fair, humane, and flexible through an ID and tax program.

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