

HOW THE HERITAGE FOUNDATION USES STRANGE MATH AND FLAWED LOGIC TO INFLATE THE COST OF IMMIGRATION REFORM

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A recently issued Heritage Foundation report on the cost of legalizing currently undocumented immigrants in the United States has been widely discredited because one of its authors, Jason Richwine, has made outlandish racial assertions about the supposedly lower intelligence of Hispanic immigrants. Nevertheless, some commentators still believe the report's fiscal projections. "You can't wish away the facts about immigration amnesty," says *Daily Beast* columnist David Frum, as he points to the Heritage claim that "the Senate immigration bill will cost taxpayers \$6 trillion over the next 50 years." However, a close look reveals that this cost projection rests on problematic calculations and morally repugnant assumptions.

Inflating the Costs of Legalization

In its attention-grabbing executive summary, the Heritage report declares that, if immigration reform were to pass with a path to citizenship for the currently undocumented, "over a lifetime, the former unlawful immigrants together would receive \$9.4 trillion in government benefits and services and pay \$3.1 trillion in taxes," sticking taxpayers with \$6.3 trillion in supposed new costs. But this headline number does not account for the benefits undocumented immigrants would get anyway.

- The Heritage authors count the cost to taxpayers of educating the children of these immigrants, even though localities and states already pay those costs. Most of these children are U.S. citizens by birth, but even those who are undocumented are entitled by law to attend public schools. Giving their parents a path to citizenship will not add new educational costs.
- Observing that, right now, most undocumented immigrants living in the United States are under age 50, the Heritage authors unrealistically assume that, without immigration reform, most of these people will return to their countries of origin before they reach the age of 55. But the current undocumented population has so few older men and women because most were legalized under reform legislation passed in the early 1990s. As younger undocumented people get older, it makes no sense to assume that they will leave their longtime homes in the United States. Yet this wildly unrealistic assumption allows the Heritage report to avoid counting the true lifetime costs of undocumented residents under current law. By ignoring those costs, the report attributes inflated "new" costs to legalization.

Lowballing the Economic Benefits

Undocumented immigrants struggle to live and work without full rights. If a path to legalization and citizenship is opened, many will escape the underground economy and be empowered to pursue new opportunities as employees and entrepreneurs. Very likely, the future economic prospects of most of the newly legalized would come to resemble those of current legal

immigrants in the United States. They would pay additional taxes on higher earnings, generating trillions more in revenue for local, state, and federal governments. But for some reason, the Heritage authors maintain that taxes that newly legalized immigrants would pay would be much lower than those paid by today's legal immigrants. They estimate \$3.1 trillion in new taxes, rather than using a more realistic figure of just over \$4 trillion.

This is ironic because the same Heritage authors take the cost of social benefits for legal immigrants as a benchmark for estimating the possible costs of future benefits for newly legalized immigrants. What is more, the Heritage authors pick a highly unusual year – 2010, in the midst of the recent sharp economic downturn – to estimate both social-welfare costs for immigrants and the taxes they might pay. Social-welfare costs obviously go up, and taxes go down, in a depressed economy, especially for immigrants, who are often among the first to lose jobs in a downturn. Though the authors make ad hoc adjustments for the recession, their use of 2010 as a baseline for projecting the future undermines the credibility of the result.

In short, the Heritage authors have lowballed the new tax revenues newly legalized immigrants would pay – and they have simultaneously pumped up the likely cost of public safety-net benefits legalized immigrants might eventually collect.

A Morally Repugnant Projection

Numerous studies show that many currently undocumented immigrants work on the books and therefore make regular payroll tax contributions to Social Security and Medicare. A large portion of the new “costs” the Heritage report attributes to legalization would occur because, once undocumented immigrants become legal residents or full citizens, they would eventually be able to collect the benefits to which their payroll contributions should entitle them.

The Heritage authors are correct to say that the U.S. Treasury would not have to pay these benefits to undocumented immigrants. But notice that their argument against legalization is based on the idea that it would be preferable for the Treasury to keep collecting payroll taxes without ever paying out any benefits. This may not be a realistic assumption about the future. In any event, it is a morally bankrupt idea that amounts to endorsing payroll tax theft.

A Corrected Bottom Line

Starting with the Heritage report's claim of \$6.3 trillion in supposed new costs from legalization, I made approximate corrections for the errors that can be readily quantified.

I subtract from the estimate of new costs the \$1.62 trillion that would be incurred, regardless of legalization, to cover benefits for current undocumented residents. And on the assumption that, morally, it would be impossible to steal payroll contributions, I also subtract the \$1.59 trillion cost of future retirement benefits for current undocumented workers. We should also reduce costs by an estimated \$1.02 trillion in new tax revenues that newly legalized immigrants would contribute beyond what the report estimated. *When all the adjustments are made, the new total estimated cost becomes \$2.03 trillion – far less than the original claim.*

The cost of legalization would decline still further – and maybe disappear – were I able to correct for the use of the 2010 baseline to project future immigrant costs and tax contributions. For that correction, I cannot easily give a firm number. But, clearly, the true cost of legalizing America's eleven million undocumented residents is a fraction of what Heritage claims.