

Quiet Contributors

The economic impact of undocumented immigrants to North Carolina communities

A policy brief from the Carolina Forward Research Team




North Carolina is home to approximately 350,000 undocumented immigrants. These residents make significant contributions not only to our state's communities and culture, but also (and especially) its economy and tax base. Every year, we find that undocumented immigrants contribute between \$258 million and \$359 million in sales taxes, property taxes and state income taxes to the State of North Carolina and local communities.

Sales Taxes

Every time any consumer purchases a good or service, they pay sales tax. As participants in the state economy, undocumented immigrants do so as much as anyone else. We estimate that undocumented immigrants pay between \$167.9 million and \$209.4 million in sales taxes to the State of North Carolina and local communities every year.

Undocumented Residents Make Significant Tax Contributions to North Carolina

(all figures in millions)

	Low-end	Mean	High-end
 Sales	\$167.8	\$188.6	\$209.4
 Property	\$29.2	\$32.8	\$36.4
 Income	\$61.9	\$88.0	\$114.0
Total tax contribution	\$258.9	\$309.4	\$359.8

Sources: Carolina Forward analysis of data from ITEP, MPI, Pew Research

Property Taxes

Like sales taxes, immigration status also has no bearing on property taxes. Undocumented immigrants in North Carolina who own their home - approximately 97,000 of them (33% of all the undocumented population) pay property taxes. Those who rent also pay indirectly through their monthly rent. We estimate that undocumented immigrants pay between \$29.2 million and \$36.4 million in property tax every year.

Security numbers or ITINs from the IRS, meaning their taxes are automatically withheld.

While the nature of undocumented workers obviously makes it impossible to pin down an exact amount, we conservatively estimate that this group contributes between \$61.9 million and \$114 million state income taxes every year.

State Income Taxes

The large majority of undocumented immigrants in North Carolina also pay state (and federal) income taxes. This is because most undocumented workers are actually "on the books," and either use fake Social

Note that this does *not* include federal income taxes, which undocumented workers also pay, as well as payroll taxes for programs like Social Security and Medicare, neither of which undocumented immigrants are eligible to receive. This makes them net-contributors to those programs and more.

Methodology

For obvious reasons, it is impossible to know the exact number of undocumented immigrants on either the state or national level. But there are independent estimates from credible organizations that converge on similar findings. The Migration Policy Institute estimated 296,000 undocumented immigrants in North Carolina in 2019, drawing off of Census Bureau data, while Pew Research estimated 325,000 undocumented immigrants in North Carolina in 2016. To account for this range of estimates, as well as the passage of time since they were taken, we venture an estimate of 350,000 total undocumented immigrants in North Carolina in 2024. This would represent a rate of growth slightly higher than the population of the state overall from 2019 to 2024.

The Migration Policy Institute moreover provides estimates, based on American Community Survey data, of breakouts of the undocumented immigrant population by age, family income level, working status and more. Using Pew Research's estimate of an average of 2.29 members per undocumented immigrant household, this allows us to arrive at 152,838 households from which to derive average tax contributions.

Using data on the shares of household income going to taxes from the Institute on Taxation and Economic Policy, we are able to calculate tax contributions for each undocumented household income bracket with small adjustments. This requires taking a low-end estimate (eg. the number of households at the lower end of each tax bracket) as well as a higher-end one. We provide both just to illustrate a range of possibilities.

Moreover, we deliberately take a lower-bound estimate on the amount of state income tax collected. In this model, we assume in the lower-end estimate that only 50% of state income taxes are collected from undocumented immigrants, even though the Social Security Administration itself gives a lower-bound estimate of 65%. For the higher-end estimate, we assume that 75% of state income taxes are collected from undocumented immigrants, which aligns with the Social Security Administration's higher-bound estimate.

For property taxes, we considered only those paid by homeowners. In reality, the actual figure is certainly higher, since renters also indirectly pay these taxes through their rent payments. Calculating that contribution introduced much more uncertainty into this model, however, so we omitted it for the sake of a more conservative estimate.

In its report "Undocumented Immigrants' State and Local Tax Contributions," the ITEP itself estimated that undocumented immigrants pay approximately \$253 million in combined taxes in the state of North Carolina. That estimate fits well within our independently calculated model, particularly once adjusting for time since the report.