

The Foreign-Born Population and Its Effects on the U.S. Economy and the Federal Budget—An Overview



Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

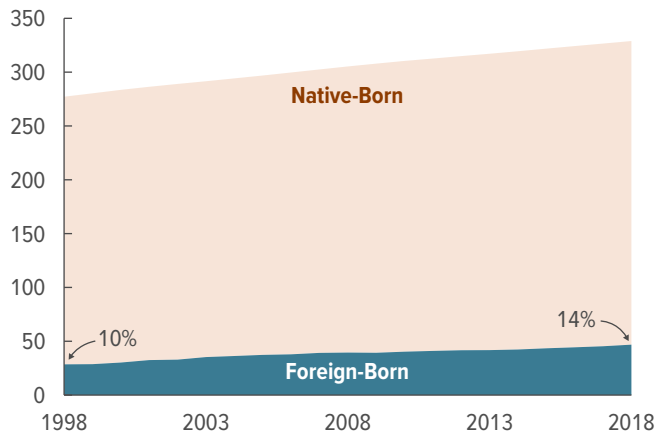
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The Foreign-Born Population

About 47 million people living in the United States in 2018 were born in other countries. Roughly three-quarters of those people were here legally. They included naturalized citizens, lawful permanent residents (who are also known as green-card holders), refugees, people who were granted asylum, and people who were temporarily admitted for a specific purpose, such as extended work or study. (The people accounted for in this document do not include visitors for business or pleasure.) The remaining one-quarter, or about 11 million people, were here illegally, having either remained here when their temporary legal status expired or crossed the border illegally. For more than a decade, the number of people remaining when their temporary status expired has exceeded the number crossing the border illegally, mostly because the number of illegal border crossings has declined.

The U.S. Population, by Birthplace

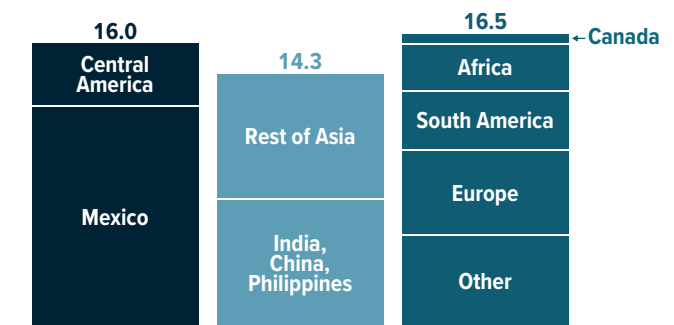
Millions of People



Foreign-Born People, by Birthplace, 2018

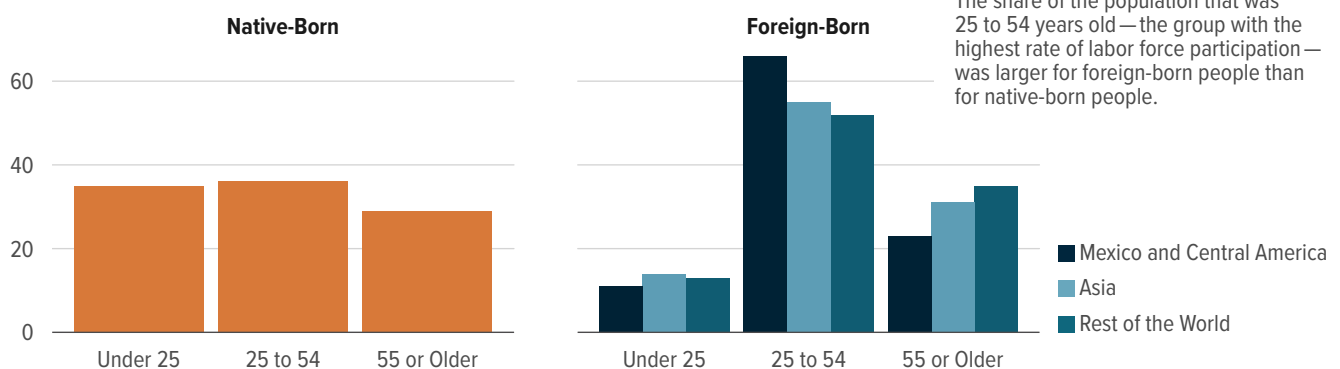
Millions of People

Roughly equal numbers of foreign-born people in the United States hailed from Mexico and Central America, Asia, and the rest of the world.



The Age Distribution of Native-Born and Foreign-Born People, 2018

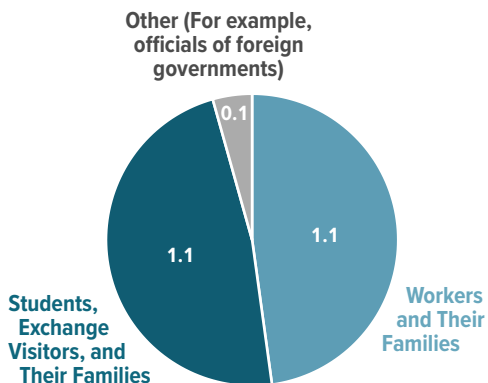
Percent



Foreign-Born People With Temporary Legal Status, 2016

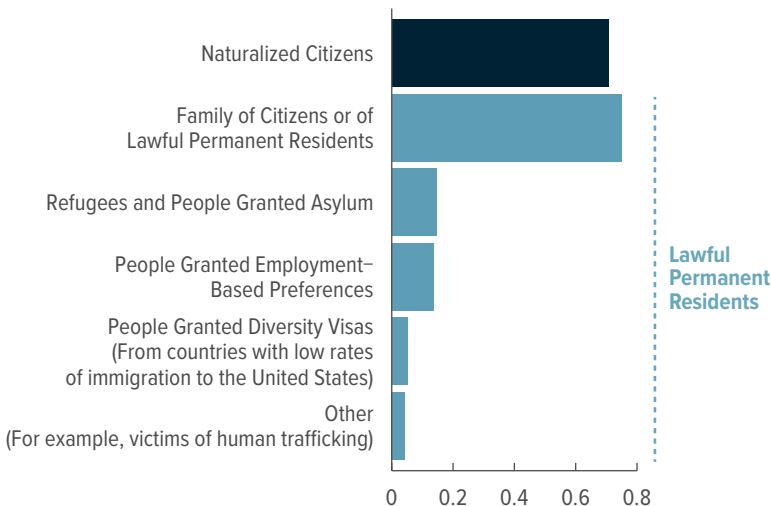
Millions of People

Foreign-born people with temporary legal status were here largely to work or study.



Foreign-Born People Who Obtained a New Permanent Legal Status in 2017

Millions of People



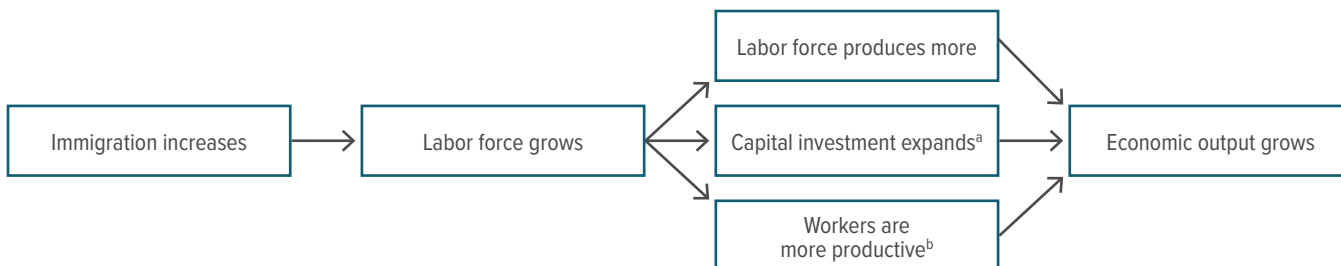
Effects of the Foreign-Born Population on the Economy

Immigration, whether legal or illegal, expands the labor force and changes its composition, leading to increases in total economic output—though not necessarily to increases in output per capita.

The effects of immigration on wages depend on the characteristics of the immigrants. To the extent that newly arrived workers have abilities similar to those of workers already in the country, immigration would have a negative effect on wages. To the extent that newly arrived workers have abilities that complement those of workers already in the country, immigration would foster productivity increases, having a positive effect on wages. But it is difficult to disentangle the influence of immigration on wages from the influence of other forces, such as changes in technology and the global economy.

A change in the legal immigration status of people who are already in the United States would affect their wages and productivity. People with legal immigration status are usually authorized to work; so are recipients of Deferred Action for Childhood Arrivals (DACA). People without legal immigration status are usually not authorized to work (although many work regardless). And if people were to acquire legal status, they would be better positioned to ask for more compensation and become likelier to be employed in jobs that best matched their skills, increasing their wages and productivity.

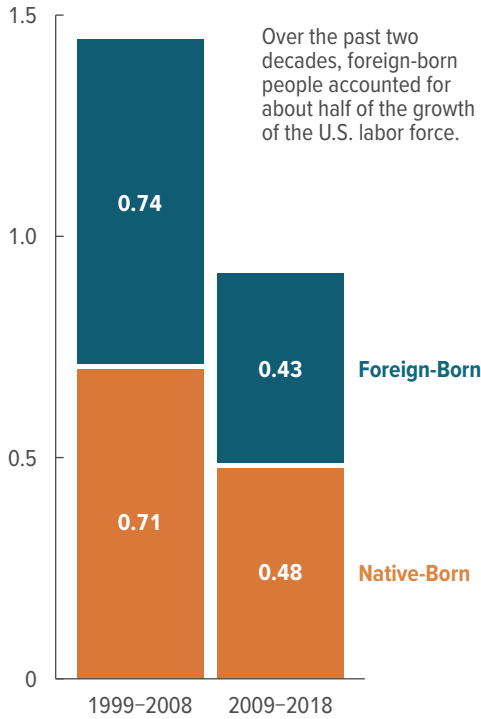
Effect of an Increase in Immigration on Economic Output



a. Because a larger labor force can make use of more capital and because a more productive labor force can render each unit of capital more productive.
 b. Partly because rates of innovation and entrepreneurship among immigrants are higher than average.

Average Annual Increase in the Labor Force, by Birthplace

Millions of People

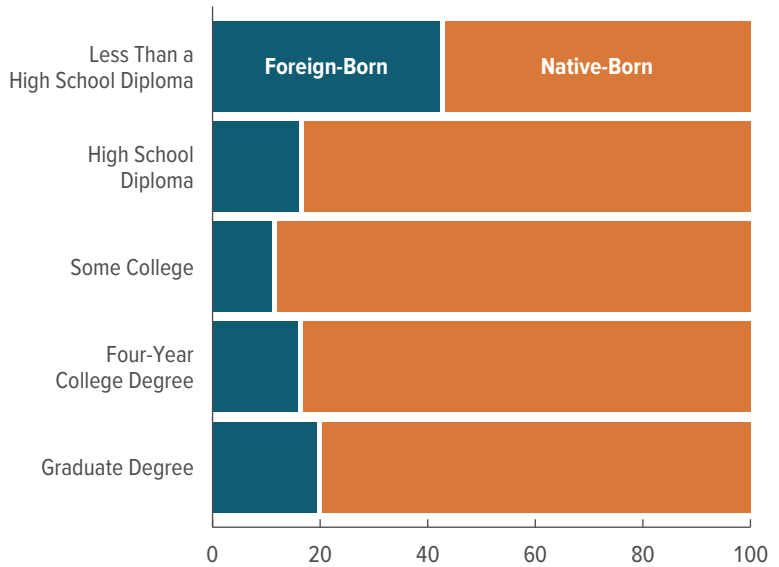


Over the past two decades, foreign-born people accounted for about half of the growth of the U.S. labor force.

The Share of People Age 25 and Older With Various Levels of Education Who Were Native Born and Foreign Born, 2018

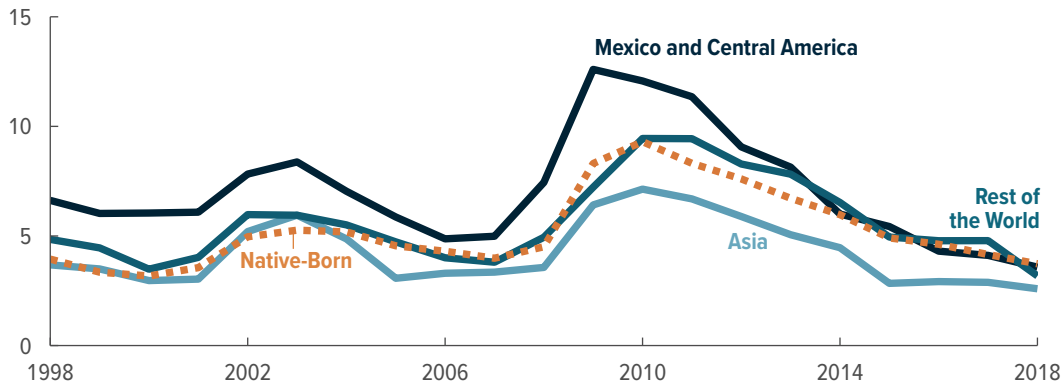
Percent

Among people with less education, a large percentage are foreign born. Consequently, immigration has exerted downward pressure on the wages of relatively low-skilled workers who are already in the country, regardless of their birthplace.



Unemployment Rates for People Ages 25 to 54, by Birthplace

Percent



Differences among the unemployment rates of these groups may be affected by educational attainment—which has been lower among people from Mexico and Central America, and higher among people from Asia, than among people who are native born.

Effects of the Foreign-Born Population on the Federal Budget

People’s direct effects on the federal budget depend largely on the taxes that they pay and the government programs in which they participate. Foreign born and native-born citizens are liable for the same taxes and eligible for the same programs. Foreign-born people who are not citizens are generally liable for federal taxes, but their eligibility for various federal programs depends on their immigration status. (Similarly, people’s effects on state and local budgets depend on their liability for state and local taxes and their use of state and local public services. For example, increases in population exert budgetary pressure on community resources, such as schools.)

Are Foreign-Born Noncitizens Liable for These Income Taxes and Eligible for These Tax Credits?

People’s liability for income taxes and eligibility for tax credits are determined on the basis of whether they are lawful permanent residents—and if not, on the basis of how long they have been in the country, regardless of whether they are here legally. The Congressional Budget Office has not estimated the amount of federal taxes paid by people who are in the country illegally.

	Lawful Permanent Residents and Some Others Who Have Been Here for a Certain Number of Days Over the Past Three Years	People Who Have Not Been Here for That Number of Days
Taxes on Income From Work, Business, or Trade in the United States	Generally yes	Generally yes
Taxes on Other Income From Sources in the United States	Yes	Generally yes, at a rate of 30 percent (or lower if established by treaty)
Nonrefundable Tax Credits	Generally yes	Eligibility depends on factors such as the taxpayer’s home country

Are Foreign-Born Noncitizens Eligible for These Benefits?

People with permanent legal status are mostly eligible for federal programs, sometimes with a five-year delay. Eligibility is more limited for people with temporary legal status. People who are in the country illegally are generally not eligible for federal programs, although there are some exceptions. CBO has not estimated the amount of federal spending on people who are in the country illegally.

	People With Permanent Legal Status	People With Temporary Legal Status	People Without Legal Status
Social Security	Yes	Yes	Generally no
Medicare	Yes	Yes	Generally no
Medicaid and the Children’s Health Insurance Program	Yes, but generally with a delay	Generally no	Generally no
Refundable Tax Credits	Yes	Yes, but with a delay	Generally no
Supplemental Nutrition Assistance Program (SNAP)	Yes, but generally with a delay	No	No
Health Insurance Marketplace Subsidies	Yes	Yes	Generally no
Supplemental Security Income	Yes	No	No
Unemployment Insurance	Yes	Yes	No
Child Nutrition Programs	Yes	Yes	Yes
Pell Grants and Student Loans	Yes	Generally no	No

When CBO and the staff of the Joint Committee on Taxation (JCT) estimate the budgetary effects of proposed legislation that would affect immigration, they project the changes in spending for federal benefit programs by considering factors such as changes in the number of foreign-born people in the United States (and the number of their children born in the United States), the legal status of those people, and the likelihood that they would claim federal benefits. When estimating the legislation’s effects on revenues and on spending for refundable tax credits, CBO and JCT consider changes in foreign-born people’s legal status, authorization to work, possession of Social Security numbers, and likelihood of filing income tax returns. However, observing a practice that has been followed in the Congressional budget process since it was established in 1974, CBO and JCT generally assume that macroeconomic variables such as gross domestic product and employment would not change from the values that they are projected to reach under current law. Thus, CBO and JCT typically do not estimate changes in revenue that would result from changes in the size of the foreign-born population—although they have done so when the legislation would substantially increase the U.S. population.

This publication was prepared at the request of the Chairman of the House Budget Committee. For more information about the data, as well as more detail about the two tables above, see www.cbo.gov/publication/55967.