

IMMIGRANTS FUND PUBLIC PROGRAMS THEY CAN'T USE

A closer look at how our economy relies on immigrant labor—and immigrant tax dollars.

Amid ongoing debates about immigration policy, enforcement, and the impact of immigrants on local economies, one fact is often overlooked: immigrants—regardless of immigration status—contribute significantly to public systems through taxes.

In 2022, undocumented immigrants paid an estimated \$96.7 billion in federal, state, and local taxes. More than one-third of those contributions went toward payroll taxes that fund programs like Social Security and Medicare. Despite helping sustain these programs, undocumented workers are excluded from receiving the benefits they help finance.

Undocumented immigrants are the only demographic in this country that pays Social Security taxes, but barred from receiving any benefits. This exclusion also applies to Medicare and unemployment insurance.

ACROSS COLORADO IN 2022, IMMIGRANTS WHO ARE UNDOCUMENTED PAID:

1. **\$396 million in Social Security taxes**, even though they will not receive Social Security benefits the way other Coloradans do when we retire
2. **\$96 million in Medicare taxes**, even though they will not receive Medicare benefits the way other Coloradans do when we reach age 65.
3. **\$27 million in unemployment insurance taxes**, even though they will not be eligible for unemployment insurance if they lose their jobs through no fault of their own. Unemployment insurance is part of an employee's compensation package, and employers pay the tax for undocumented employees even though these employees do not have access to the benefit.¹

Immigrants without documentation are net contributors to Medicare, paying billions more in taxes than they receive in benefits. Between 2012 and 2018, immigrants contributed an average of \$165.52 more per person annually to the Medicare Trust Fund than Medicare spent on their behalf. Over the same time period, the U.S.-born cost the Trust Fund an average of \$51.46 per person, as more was spent on their behalf than was contributed.

Social Security and unemployment insurance are two economic safety net programs that use taxes from people who are working to support people who are not working—whether that be due to retirement or layoffs. Immigrants without documentation are contributors to these programs that support people who are able to access them when they are too old to work or lose a job due to no fault of their own.

All immigrants regardless of documentation play a key role in strengthening Social Security's finances and improving the solvency of the program, which provides all workers who do have access with a foundation of income for their retirement. Since Social Security is a "pay-as-you-go" program, Social Security benefits paid out today are funded from payroll taxes collected from today's workers, so more workers paying into the system benefits the program's finances. In the United States, immigrants are more likely to be of working age and have higher rates of labor force participation, compared to U.S.-born individuals.

2022 TAX PAYMENTS BY UNDOCUMENTED IMMIGRANTS IN COLORADO:

\$396 million paid in Social Security taxes

—with no access to benefits upon retirement.

\$96 million paid in Medicare taxes

—yet no Medicare benefits at age 65.

\$27 million paid in unemployment insurance taxes

—but no eligibility if job loss is not their fault.

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Colorado's population is aging, and by 2050, the over-65 population is expected to nearly double.² Since immigrants are mostly working age people who are continuing to have children, investing in welcoming and incorporating immigrants in our communities is essential to future prosperity because our society is constructed so that younger workers pay for the needs of older retirees. Without immigrants and their U.S.-born children, the prime working-age population (ages 25–54) would have shrunk by more than 8 million people between 2000 and 2023. When immigrants are denied the opportunity to live, thrive, and contribute to our communities, we not only lose out on their potential—we also fall short of the values of fairness, dignity, and inclusion that should guide sound public policy.

Social Security is already facing a funding shortfall in the next decade, with the program projected to have funds to pay about 83% percent of benefits in 2035 if nothing is done to shore up its financing structure.³

If Trump Administration officials are serious about addressing Social Security's funding challenges, they would offer real solutions, like a financing package that includes raising revenues to preserve Social Security's crucial benefits, instead of scapegoating immigrants whose contributions are helping to preserve the program.

A smart idea would be to allow people who are undocumented a chance to get work permits and a path to citizenship. That would make them eligible for the programs they are paying into, while also increasing the amount they pay by increasing the amount they earn.

Whatever else we do, we should not imagine that immigrants are taking something without giving back. To the contrary: immigrants who lack work authorization are paying into systems that they themselves are excluded from. Immigrants are essential contributors to these economic and social safety net programs that uplift everyone who has access to them. Instead of excluding these vital members of our communities, we should expand access to critical federal safety net programs to all contributors, regardless of immigration status.



REFERENCES

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