

THE FISCAL COSTS OF THE PRESIDENT'S EXECUTIVE ACTIONS ON IMMIGRATION

JOINT HEARING

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY
AND THE

SUBCOMMITTEE ON HEALTH CARE,
BENEFITS AND ADMINISTRATIVE RULES
OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
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THE FISCAL COSTS OF THE PRESIDENT'S EXECUTIVE ACTIONS ON IMMIGRATION

Tuesday, March 17, 2015,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY JOINT WITH THE
SUBCOMMITTEE ON HEALTH CARE, BENEFITS AND
ADMINISTRATIVE RULES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:15 p.m. in room 2154, Rayburn House Office Building, the Honorable Ron DeSantis [chairman of the subcommittee on National Security], presiding.

Present: Representatives DeSantis, Jordan, Mica, Gosar, Meadows, Mulvaney, Walker, Hice, Carter, Walberg, Cartwright, Norton, Lynch, Lawrence, Lieu, Watson Coleman, and DeSaulnier.

Mr. DESANTIS. The Subcommittee on National Security and the Subcommittee on Health Benefits and Administrative Rules will come to order.

Without objection, the Chair is authorized to declare a recess at any time.

On November 20, 2014, President Obama announced a series of executive actions regarding illegal immigration. These actions grant benefits to non-citizens who are unlawfully present in the United States, including work permits and Social Security numbers.

Twenty-six States among others have challenged the legality and constitutionality of these actions. In fact, a Federal district court has recently issued a preliminary injunction halting implementation of these executive actions. Time will tell whether the President's actions will hold up in court.

Enacting major policy changes by executive fiat deprives the American people of their right to influence important policy debates. With this in mind, the fiscal cost associated with the President's actions need to be examined as the American people will be required to pay the tab for what the President did.

Unfortunately, but not surprisingly, the Obama Administration has not released any numbers on how much these executive actions will cost American taxpayers, nor is there any evidence that the Obama Administration sought advice from other government agencies or departments, let alone State and local governments, about the consequences of these actions.

IRS Commissioner John Koskinen recently testified before this committee that the White House did not consult with him when putting together its immigration plan. This is noteworthy because

illegal immigrants granted Social Security numbers will be able to claim the refundable earned income tax credit.

They will be able to file retroactively amended returns for the prior 3 years for work performed illegally in the United States. This means that illegal immigrants benefiting from the President's action will be able to claim as much as, and perhaps more than, \$24,000 in refunds even though the work performed was not lawful to begin with.

And course the work permits issued to illegal immigrants under the President's Executive Orders will give the amnestied illegal worker a hiring preference over an American worker due to being exempt from ObamaCare's Employer Mandate.

Furthermore, it is an open question if the non-citizen is granted legal status will be tax consumes or tax contributors. That is, will they consume more in benefits than they pay in taxes. To answer that question among others, we have a panel of distinguished experts today to discuss the possible cost of the President's executive actions.

The White House, Federal agencies, Congress, State and local governments need to understand the cost of these actions should they go forward. The American taxpayer should not have to bear the burden of paying for an illegal program.

Mr. DESANTIS. I ask unanimous consent that our colleague and fellow Government Oversight and Reform Committee member, Mr. Gosar, be allowed to fully participate in today's hearing. Without objection, so ordered.

I now recognize Mr. Cartwright, the Ranking Member of the Benefits Subcommittee, for his opening Statement.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

I thank you for convening this afternoon's hearing on the potential cost of the Administration's executive actions on immigration.

There are indeed costs to immigration, costs that really cannot be boiled down to a pissy sound bite. Certainly, there is much disagreement on what to do about the 11 million undocumented immigrants in the United States.

I think we can all agree that the cost of doing nothing is too much to bear. That is why I supported and will continue to support comprehensive immigration reform that includes a tough but fair path to citizenship. I believe illegal conduct must be punished with heavy fees and fines and dangerous, undocumented persons need to be deported.

A plan like that would bring undocumented immigrants out of the shadows and transform them into taxpaying individuals, paying their fair share into our health care system and our Social Security systems.

In the last Congress, the Senate passed a bipartisan bill that would have helped fix our broken immigration system while also spurring economic growth in my northeastern Pennsylvania, where my district is, and also across the Country.

In fact, according to a White House report, the bipartisan Senate immigration bill would have spurred Pennsylvania's economy and created approximately 15,780 new jobs and generated \$64 million for Pennsylvania. That was a bill that was supported by the U.S. Chamber of Commerce and the American Farm Bureau.

Following the House Republican leadership's failure to act on that bipartisan Senate immigration bill, the Administration took executive action, as you all know, late last year. Anticipated economic benefits are significant.

For example, the White House Council on Economic Advisors has conservatively estimated that the executive actions on immigration would raise the level of GDP by 0.5 percent after 10 years, which is equivalent to an additional \$100 billion in real GDP in 2024 in today's dollars. It would cut Federal deficits by \$30 billion in 10 years. It would expand the Country's labor force by 200,000 people and raise average wages for U.S.-born workers.

Without immigration reform, our current immigration laws impose huge fiscal and economic costs. A recent report from the American Action Forum, a conservative leaning policy institute headed by Douglas Holtz-Eakin, concluded the 20 year cost of apprehending and removing all undocumented immigrants, while securing the borders, would cost taxpayers between \$815 billion and \$1.2 trillion. That is trillion with a T.

They also found "The labor force would shrink by 6.4 percent or 11 million workers and as a result, in 20 years, the U.S. GDP would be 5.7 percent or \$1.6 trillion lower than it would be without fully enforcing current law." This conservative-leaning group's analysis is useful and it is a reminder that all immigration reform policies have a price tag attached to them. It is up to us in Congress to appropriately weigh those costs and other factors when we are crafting laws.

I think why you are seeing so many Republicans and Democrats, not to mention scores of labor, business and advocacy groups, come down on the side of supporting a comprehensive approach to immigration reform, is that it strikes the right balance.

It secures our borders, it strengthens our economy, it brings millions of undocumented immigrants out of the shadows and into tax-paying individuals, paying their fair share into our health care and Social Security systems, which everyone knows could use shoring up all the time.

A comprehensive solution is what we need, something that will advance our Country's values and will honor our history as a Nation of immigrants.

Again, I thank the Chair and I look forward to our witnesses' testimony today.

I yield back.

Mr. DESANTIS. The gentleman yields back.

The Chair now recognizes the Chairman of the Benefits Subcommittee, Mr. Jordan, for 5 minutes.

Mr. JORDAN. I thank the chairman for this hearing and our esteemed witnesses who are here today.

I will be very brief.

The title of the hearing is The Fiscal Cost of the President's executive actions on Immigration. I like to view it as the unfairness of the President's executive actions.

In this hearing room, as the Chairman pointed out in his opening Statement, the colleague to my left, Mr. Mulvaney, asked the IRS Commissioner "Can illegal non-citizens get tax refunds? Can they

go back the previous 3 years and get those? Yes, they can.” How is that fair to taxpayers? How is that fair to citizens?

How is it fair to seniors that illegal non-citizens can participate in our Social Security system? Most importantly, how is it fair to legal immigrants who did everything the right way but now through the President’s Executive Order, illegal, non-citizens move to the front of the line and take away resources from people who are doing it the right way and did it the right way when they came here?

Also, in this very hearing room, 4 weeks ago, we had two Secretaries of State who came and said because of the President’s action, because of the documents illegal, non-citizens are now going to have access to, namely Social Security cards, Social Security numbers and a driver’s license. The real potential for 5 million people participating in our election process around the Country has increased dramatically, so much so that our Secretary of State sent a letter to the White House, a letter to the Ohio delegation and came here and testified.

For all those reasons, the cost and unfairness, those are huge concerns and that is why this hearing is appropriate and why I am glad the chairman has convened it. I look forward to hearing from our witnesses.

With that, I yield back.

Mr. DESANTIS. The gentleman yields back.

I will hold the record open for five legislative days for any member who would like to submit a written Statement.

We will now recognize our witnesses. I am pleased to welcome: Mr. Robert Rector, Senior Research Fellow for Domestic Policy Studies, DeVos Center for Religion and Civil Society at The Heritage Foundation; Steven A. Camarota, Ph.D., Director of Research, Center for Immigration Studies; Eileen J. O’Connor, Esq., Partner, Pillsbury Winthrop Shaw Pittman LLP; and Ms. Avidah Moussavian, Economic Justice Policy Attorney at the National Immigration Law Center. Welcome to you all.

Pursuant to committee rules, all witnesses will be sworn before they testify. Please rise and raise your right hand.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. DESANTIS. In order to allow time for questions, please limit your testimony to 5 minutes. Your entire written Statement will be made a part of the record.

Mr. Rector, you are up for 5 minutes.

WITNESS STATEMENTS

STATEMENT OF ROBERT RECTOR

Mr. RECTOR. Thank you, Mr. Chairman. I appreciate the opportunity to speak today.

I want to talk about the fiscal cost of one part of the amnesty, the deferred action, for parents.

Our estimate is that there are about 3.9 million illegal immigrants who are eligible to gain legal status through this program.

On average, these individuals have a tenth grade education. I want to emphasize that. Many of them have a third and fourth grade education.

I am kind of a strange person. In the last decade or so, I have gone around and asked people in the U.S. how many people believe that someone with a tenth grade education pays more in taxes than they get in government benefits?

Outside the confines of Congress, I have yet to find a single American citizen that believes that is the case. The reality is that when you look either at legal immigrants or U.S.-born people, individuals who do not have a high school degree, in general if you look at all the government benefits, Federal, State and local, that they get and all the taxes they pay, income tax, property tax, cigarette tax, lottery payments, all of those things, on average, that individual who does not have a high school degree gets \$5 in government benefits for every \$1 they pay in taxes.

The illegal immigrant population in the United States gets about \$2.50 in total benefits, Federal, State and local, minus taxes for every dollar paid, 250 to 1. The reason for that is the illegal immigrants do not have access to our two most expensive programs, Social Security and Medicare, and their access to the 80 different means tested anti-poverty programs such as Medicaid and food stamps is limited.

What Obama's executive action does is essentially removes those barriers. The first thing it does is it grants 3.9 million people with a tenth grade education a Social Security number which makes them eligible for Social Security and Medicare at retirement age.

They have to work 40 quarters or 10 years but it is a minimal work requirement, so most of those individuals, to the extent that they apply and receive that amnesty, will, in fact, become eligible for Social Security and Medicare.

The only question would be, how much does that cost? If you assume they, in today's dollars, get the average Social Security and Medicare benefits that go to legal immigrants who are elderly with that same level of education, the costs that they are going to be getting over \$20,000 a year in benefits in retirement in today's dollars, it will actually be much more than that obviously, the total cost of that is \$1.3 trillion.

This is a system that is already completely bankrupt. What the President has done is taken nearly 4 million people with a tenth grade education and given them benefits into that program.

It is true that they will pay a small amount in FICA taxes but in general, they are going to be getting \$3 of benefits for every dollar of FICA taxes they pay. I am going to show that they actually really don't ever make a net payment.

It is said we need them to pay taxes. This group never makes a net payment into the U.S. Treasury. At every stage of their lives, they will always be drawing more out in government benefits than they pay in.

How can that be? For example, this household already, because they have U.S.-born citizens, gets around \$6,500 a year in means tested benefits for their kids, food stamps, Medicaid, SCHIP and so forth.

This action gives them access to the ACTC and EITC which are the two largest cash welfare programs. That is another \$4,000 per household per year. On top of that, the action does not give them access to ObamaCare but I would ask anyone who supports this, do you think we ought to let them stay here for 30 years and never give them health care?

That is not very feasible. If they got ObamaCare, that is around another \$7,500 a year. That is close to \$18,000 a year in benefits that they will be getting even before they get into retirement. It vastly exceeds the FICA and income taxes that they pay.

It is an illusion. The way this is ordinarily done, as you talked about, they make \$5,000 or \$6,000 in Social Security or FICA taxes and they put in that money, but that does not do the U.S. Treasury any good if at the same time they put in \$5,000 or \$6,000 to the Social Security Trust Fund, they draw \$20,000 out of general revenue. Is the U.S. Treasury any better for that? Absolutely not.

The reality is this group, on the Federal level, never makes a net contribution. The FICA taxes they pay are more than offset by what they draw back. At the State and local level, they are getting around \$18,000 to \$19,000 in free public education. They never cover that cost. Other taxpayers have to pay for it.

When they hit Social Security, then you have this huge loss in retirement of around \$1.3 trillion.

Again, the bottom line is you cannot take people with a tenth grade education, bring them to the United States, give them access to the largest and most expensive entitlement system, the largest and most expensive welfare system on the globe, and expect there will not be negative fiscal consequences. The fiscal consequences are extremely large and run in the trillions of dollars.

[Prepared Statement of Mr. Rector follows:]

Introduction

My name is Robert Rector. I am a Senior Research Fellow at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Illegal immigration imposes many costs on local, state, and federal taxpayers. President Obama's recent executive order does far more than assert that current U.S. immigration laws will not be enforced. It grants nearly four million illegal immigrants potential access to the U.S. entitlement system. Moreover, an amnesty approach, as we saw from the 1986 amnesty legislation, encourages an increase in future illegal immigration. President Obama's executive order granting legal status to millions of current illegal immigrants will encourage increased illegal immigration in the future, imposing further costs on taxpayers.

The main component of President Obama's executive amnesty is the Deferred Action for Parents of U.S. citizens and legal permanent residents (DAPA). The DAPA program would grant temporary legal status to illegal immigrants with at least one U.S. born child (or child with legal permanent residence) who have resided in the U.S. for the last five years. I estimate that, at least, 3.97 million illegal immigrants would be eligible to obtain legal status under DAPA. The average DAPA-eligible individual has a 10th grade education.

Assuming that 3.97 million illegal immigrants apply for and receive legal status under DAPA, the following fiscal consequences would be likely.

- DAPA beneficiaries would immediately receive Social Security numbers and, in most cases, the eventual ability to obtain Social Security and Medicare benefits. The lifetime costs of Social Security and Medicare benefits to DAPA recipients are likely to be around \$1.3 trillion (in constant 2010 dollars).
- DAPA recipients will be given immediate access to two major cash welfare programs: the refundable Earned Income Tax Credit (EITC) and the refundable Additional Child Tax Credit (ACTC). Increased EITC and ACTC cash payments to DAPA recipients would be \$7.8 billion per year.
- DAPA recipients will also be permitted to apply for EITC and ACTC cash benefits retroactively for the last three years. The cost of retroactive benefits could be as much as \$23.5 billion.
- DAPA-eligible families already receive many means-tested welfare benefits from programs such as Medicaid, the Women Infants and Children (WIC) food program and Food Stamps prior to the Obama executive order. (These benefits

are typically given to illegal immigrant parents on behalf of their U.S. born children.) The average DAPA-eligible family already receives around \$6,600 per year in means-tested welfare benefits, prior to Obama's executive action. (The aggregate cost is around \$13.4 billion per year.)

- The executive order does not make DAPA recipients eligible for Obamacare. However, if DAPA beneficiaries remain legally in the country for the indefinite future, it is likely that subsequent legislation would make them eligible for Obamacare or other federal medical programs. The cost of providing Obamacare to all DAPA-eligible families who lack current insurance would be at least \$14 billion per year.
- On average, the combined cost of means-tested welfare benefits currently received, the EITC and ACTC cash, and potential Obamacare benefits would come to \$17,800 per year per DAPA family. The aggregate cost would be over \$35 billion per year.
- On the other hand, Obama executive action would encourage DAPA-eligible illegal immigrants to shift from informal "off the books" employment to formal "on the books" employment; this would result in an increase in tax payments. Most experts believe that about half of illegal immigrants work "off the books." If, instead, all DAPA-eligible individuals were employed "on the books," Federal Insurance Contribution Act (FICA) and federal income tax revenues would increase by about \$7.2 billion per year.¹
- Nonetheless, the increase in tax revenue would be equaled or outweighed by the increase in EITC and ACTC cash payments. The value of total means-tested welfare benefits received by DAPA-eligible families exceeded the value of FICA and federal income tax payments made by those families before the executive action and will continue to do so after the action as well.

The aggregate spending and revenue estimates given above are clearly contingent on the percent of DAPA-eligible illegal immigrants who would apply for and receive legal status. If only half of DAPA-eligible individuals actually apply for and receive legal status, then the estimated increase in welfare and entitlement benefits and new tax revenues would be decreased proportionately. The per family figures would not be changed.

Executive Amnesty

On November 20, 2014, President Obama granted Deferred Action for Parents of U.S. citizens and legal permanent residents (DAPA). Under this executive action, illegal immigrants were granted provisional legal status if:

¹ Both the employer and employee share of FICA tax are counted.

- they had on that date a son or daughter who was a U.S. citizen or legal permanent resident;
- were physically present in the U.S. on the date of the executive action;
- had continually resided in the U.S. since January 1, 2010; and,
- have not been convicted of a felony.

According to my analysis at least 3.97 million current illegal immigrants will be covered by DAPA and eligible for provisional legal status. The actual number could be higher.

The Fiscal Impacts of the Executive Order for the DAPA Population

The executive order creates three immediate fiscal impacts.

1. The 3.97 million illegal immigrants covered by DAPA will be immediately eligible for work authorization and Social Security numbers. Upon receiving a Social Security number, the individual can earn entitlement to future Social Security and Medicare benefits by completing 40 quarters (10 years) of work.
2. The DAPA parents will also become eligible for the refundable EITC and refundable ACTC. These are means-tested welfare programs which provide cash benefits to parents who have no federal income tax liability. The EITC is the largest cash welfare program in the country. Together, the EITC and ACTC can provide up to \$7,460 in cash welfare benefits each year for a lower income family with two children.
3. Most experts believe that roughly half of illegal immigrants work “on the books” and pay Federal Insurance Contribution Act or FICA and income taxes; the other half work “off the books” and do not pay those taxes. The executive action makes it easier for DAPA recipients to obtain normal on-the-books employment; it also creates an incentive for greater “on-the-books” employment since such employment will create credit for future Social Security benefits.

Earned Income Tax Credit and Additional Child Tax Credit

The Earned Income Tax Credit is the nation’s largest means-tested cash welfare program. Although the EITC in some cases reduces federal income taxes owed, its major function is to provide “refundable tax credits” to low income individuals. A “refundable tax credit” is simply a cash welfare grant to individuals who have no federal income tax liability. About 15 percent of the total expense of the EITC goes to tax reduction, while 85 percent goes to refundable cash credits. In 2012, 24.3 million individuals received such cash payments from the EITC at a cost of \$56.2 billion to the taxpayer.

The structure of the EITC is complex. A married couple with two children receives a cash payment equaling 40 percent of their earned income for earnings up to \$13,430. For

earnings between roughly \$13,500 and \$23,300, the cash payment is fixed at a maximum value of \$5,460. As earned income rises above \$23,300, the credit is phased down.

The refundable ACTC provided around \$22 billion in cash benefits in 2013 to working families with modest incomes. The credit has a value of 15 percent of earned income over \$3000 per year up to a maximum value of \$1,000 per child. A single-parent family with two children would receive a cash bonus from the program of \$2000 per year with an earned income up to around \$29,000.

The ACTC credit is added on top of earned income tax credits received by a family. The maximum combined value of the two credits for a family with two children would be \$7460. Families continue to receive cash benefits from these two programs on a decreasing scale until their earned income rises above \$40,000.

DAPA recipients will be given immediate access to these two major cash welfare programs. Assuming all DAPA-eligible individuals receive legal status, cash payments from the EITC and ACTC to DAPA recipients would equal \$7.8 billion per year.²

Retroactive EITC and ACTC Benefits

The Internal Revenue Service has declared that DAPA beneficiaries would be permitted to file federal income tax returns retroactively for the three years prior to their obtaining DAPA status. The DAPA beneficiary could receive any EITC or ACTC payments that were owed during that period. Filing a retroactive tax return would be at the discretion of the DAPA recipient; individuals who had a positive unpaid income tax liability during those years would be unlikely to file, while individuals who would be eligible to receive substantial EITC and ACTC cash payments would have a strong incentive to file.³

It is erroneous to believe that a DAPA recipient would have to prove his prior employment status to obtain an EITC or ACTC check. A major portion of EITC claims are based on personal reports of "self-employed income." In general the IRS does not verify such self-reports of income before granting cash aid; this is a major reason why the EITC has an erroneous payment rate of around 25 percent.⁴ Assuming that all DAPA-

² This calculation excludes DAPA-eligible individuals who are married to U.S. citizens. Such families presumably already receive the EITC and ACTC if they have low or moderate incomes.

³ Low-income illegal immigrants who had worked on the books using false Social Security numbers during the period would already have paid FICA taxes; they would receive a straight cash payment from the IRS.

⁴ Improper payments for the EITC equal, on average, 25 percent of the total value of the credit or roughly \$16 billion per year. Since some 26.5 million households claim the EITC each year, this number suggests that some six million households receive EITC benefits after submitting false or erroneous information to the IRS.

eligible individuals who were eligible for retroactive EITC and ACTC payments applied for and received those payments, the cost to the government would be around \$23.5 billion. The figure could go higher if the illegal immigrants under DAPA use fictitious income figures, a tactic that is very common in the EITC program.

Current Means-Tested Benefits of DAPA Families

President Obama has characterized the DAPA population as “immigrant fathers who worked two or three jobs without taking a dime from the government...”⁵ But even before the executive order, families now eligible for DAPA were heavy users of means-tested welfare.

Illegal immigrants are eligible for and obtain aid from the Medicaid Disproportionate Share funding, Women Infants and Children food program, the school lunch and breakfast programs, and the Community Health Center programs. In addition nearly all DAPA families have at least one U.S. born child. These children are fully eligible for all means-tested welfare programs on the same conditions as children born to legal U.S. citizens. As a consequence, receipt of Food Stamps, Medicaid, and SCHIP is common in DAPA-eligible families. (By contrast, receipt of the EITC by illegal immigrant families is uncommon because the parent must be work-authorized and have a Social Security number to obtain the EITC.)

On average, DAPA-eligible families already receive \$6,600 per year in means-tested aid, or \$13.2 billion per year overall.⁶

Executive Amnesty and Obamacare

Obama’s executive order does not make DAPA recipients eligible for Obamacare. But DAPA parents have low wages; about half currently lack health coverage. If DAPA recipients are granted legal status and permitted to remain in the country indefinitely, it seems unlikely that they would be permanently denied all governmental health care support.

Moreover, once granted legal status, it seems likely that DAPA recipients would increase their use of free medical care in emergency rooms funded by the Medicaid Disproportionate Share program. (Illegal immigrants are currently eligible for this service but may avoid using it because they are fearful of revealing their illegal status.)

⁵ President Barack Obama, “Remarks by the President in Address to the Nation on Immigration”, November 20, 2014, <https://www.whitehouse.gov/the-press-office/2014/11/20/remarks-president-address-nation-immigration>

⁶ These figures do not include about 570,000 families in which a DAPA-eligible person is married to a U.S. citizen or legal permanent resident.

Since emergency room care is expensive, there would strong pressure to provide alternative forms of medical aid.

It is noteworthy that all major bipartisan “earned citizenship” bills introduced in the last decade have given amnesty recipients full access to over 80 federal means-tested welfare programs following a limited waiting period. If all DAPA-eligible individuals were granted access to Obama care, the cost to the taxpayers would be around \$7,300 per DAPA family or \$15.5 billion per year.

DAPA Families and the Welfare State

The United States operates a very large means-tested welfare system which provides cash, food, housing, medical care, and social services to poor and lower-income Americans. Last year government spent over \$900 billion on means-tested welfare. Major programs included: Medicaid, SCHIP, the refundable earned income tax credit, Supplemental Security Income, the refundable additional child tax credit, Temporary Assistance to Needy Families (TANF), Food Stamps, the Women, Infants and Children (WIC) food program, school nutrition programs, public housing and section 8 housing.

There is a common misconception that individuals who work in the U.S. do not receive welfare assistance. According to this view, illegal immigrants work; therefore, they would receive little welfare, even if legalized. In reality, over the last 20 years, the welfare system has been transformed; it now focuses a major portion of its benefits onto low-wage working families with children. For example, a single mother with two children who earns \$20,000 per year will typically receive another \$19,000 in cash, food, and medical benefits from the welfare system. If the mother also receives housing aid, the typical benefit package would rise to \$25,000 per year.

Another common misconception is that legal immigrants rarely receive welfare. In reality, legal immigrants receive very high levels of welfare aid. In fact, the highest level of welfare aid of all is received by households headed by legal immigrants without a high school degree. The DAPA population consists of families with children headed by parents with very low average education levels. If DAPA families were given full access to welfare system, receipt of benefits would undoubtedly be very high.

As noted, the average DAPA-eligible family already received some \$6,600 means-tested aid before the President’s executive action. The executive order would give DAPA families access to the refundable EITC and ACTC at an average cost of \$3,900 per family. If DAPA families were subsequently given access to Obamacare the added cost would be around \$7,300 per family. The total annual benefit package of existing welfare, ACTC, EITC, and Obamacare would come to \$17,800 per family. The aggregate annual costs would be over \$35 billion. Beyond this there are many other means-tested welfare programs; if DAPA beneficiaries become long-term legalized

residents, they are very likely to be given access to these programs through future legislation.

DAPA and Increased Tax Payments

President Obama has suggested that one outcome of his executive action is to encourage illegal immigrants to “pay their fair share of taxes.” It is true that Obama’s executive action would increase tax payments slightly. Most experts believe that around half of illegal immigrants work “off the books” and therefore pay no direct taxes. Legalization would encourage DAPA to shift from informal “off-the-books” employment to formal “on-the-books” employment. This would result in an increase in tax payments. If, all DAPA-eligible individuals were employed “on the books,” Federal Insurance Contribution Act (FICA) and federal income tax revenues would increase by about \$7.2 billion per year.⁷ Nonetheless, the increase in tax revenue would be equaled or outweighed by the increase in EITC and ACTC cash payments.

More importantly, the value of total means-tested welfare benefits received by DAPA-eligible families exceeded the value of FICA and federal income tax payments made by those families before the President’s executive action. It would continue to do so after the DAPA beneficiaries received legal status.

Future Social Security and Medicare Benefits

At least 3.97 million illegal immigrants would be permitted to obtain legal status under the President’s executive order for DAPA. Under the executive order DAPA recipients will immediately be given authorization to work in the U.S. and a Social Security number. Upon receiving a Social Security number, a DAPA recipient can earn entitlement to future Social Security and Medicare benefits by completing 40 quarters (10 years) of work. Granting nearly four million unlawful immigrants with an average 10th grade education full access to Social Security and Medicare benefits will be very expensive to U.S. taxpayers.

In order to calculate the future retirement benefits in Social Security and Medicare for DAPA recipients, I have assumed that 3.97 million illegal immigrants would apply and receive legal status under the DAPA provisions. I further assume that all of these individuals would fulfill at least 40 quarters of minimal employment in the decades ahead and thereby become eligible for Social Security and Medicare benefits.

In future years, deaths would reduce the number of DAPA recipients; my calculations reduce the number of DAPA recipients year by year in the future according to the

⁷ Both the employer and employee share of FICA tax are counted.

standard mortality tables for Hispanic males and females. DAPA recipients would have a very strong financial incentive to remain in the U.S. at least until they have earned eligibility for Social Security; nonetheless, my analysis assumes 10 percent would emigrate before they obtained eligibility.

DAPA recipients would begin receiving Social Security and Medicare benefits at 67. The median age of DAPA-eligible individuals is 36. This means the median-aged DAPA recipient would begin receiving retirement benefits in 2046.

DAPA recipients have low education levels and low wages. The analysis assumes the average DAPA recipient would receive Social Security benefits equal to the average benefit of current retired legal immigrants with the same level of education. This is \$11,236 per year (in constant 2010 dollars). The DAPA retiree is assumed to receive Medicare benefits at the average cost per retiree in 2010 or \$10,365 per year. Thus the combined Social Security and Medicare costs per DAPA retiree would be \$21,601 per year (in constant 2010 dollars). (These figures are almost certainly underestimated because per person Medicare benefits are likely to rise faster than the rate of medical inflation.)

On average, retirees could be expected to receive benefits for 19 to 20 years in retirement at an average lifetime cost of around \$421,000 per retiree. The total Social Security and Medicare retirement costs for the DAPA population would be around \$1.3 trillion (in constant 2010 dollars).⁸

It is true that amnesty recipients will pay FICA taxes. In fact, after amnesty, the wages of illegal immigrants covered by the executive order should rise and many will switch from “off-the-books” to “on-the-books” employment, meaning that FICA tax payments will increase substantially. However, as noted, DAPA beneficiaries, on average, have a 10th-grade education. This means they will tend work at modest wages throughout their lifetimes. The Social Security and Medicare programs are deliberately designed to heavily subsidize low- and modest-wage workers; the benefits received by them will greatly exceed taxes paid to the Social Security and Medicare systems. On average DAPA recipients will receive two to three dollars of Social Security and Medicare benefits for each dollar of FICA tax paid even if they faithfully pay FICA taxes throughout their working careers.

Moreover, any FICA tax payments made to the Social Security trust fund by DAPA recipients would be illusory gains. The FICA taxes paid would be offset by other

⁸ The net present value of these costs is \$407 billion. Net present value is difficult to understand. One way to explain it is that in order to fully fund these future obligations in 2015, an additional \$407 billion in revenue would need to be raised and set aside today in a lockbox from which DAPA recipients' Social Security and Medicare costs would be paid in the future. Not doing this effectively increases the national debt by \$407 billion.

government benefits received by the DAPA families at the time the FICA taxes were paid. These offsetting benefits would be funded from general revenue. Overall, no net tax payments would be made to the U.S. Treasury.

On average, DAPA recipients would make few, if any, net tax payments that would offset their future Social Security and Medicare costs. If DAPA recipients are given full access to Obamacare and other means-tested welfare programs through legislation or administrative action at some time in the future, then the fiscal situation would deteriorate even further.

Conclusion

The fiscal consequences of illegal immigration and amnesty are best understood holistically. The total benefits received by a group from federal, state and local governments should be compared to the total taxes paid. From this perspective, individuals without a high school diploma tend to receive about \$4.00 in government benefits for every \$1.00 in taxes paid. This is true whether the individual is a U.S. born citizen or a legal immigrant.

Illegal immigrants, as a group, historically have received around \$2.50 in total government benefits for every \$1.00 in taxes paid. The resulting fiscal burden has been limited because they are barred from receiving Social Security, Medicare and most means-tested welfare.

The Obama executive action removes that bar, granting a large portion of illegal immigrants full access to Social Security and Medicare and increased access to means-tested welfare. This will substantially increase the already vast burden on U.S. taxpayers.

Estimation Methodology

Identifying the Illegal Immigrants and DAPA-Eligible Individuals

The Department of Homeland Security (DHS) estimates the number and type of illegal immigrants appearing in Census surveys each year. DHS assumes that 90 percent of all illegal immigrants appear in Census records. The present analysis identifies an illegal immigrant population within the Census' Current Population Survey (CPS) that closely matches the DHS estimates for illegal immigrants for all available DHS data, including: the number of such immigrants, and their gender, age, date of entry, country of origin and current state of residence. The illegal immigrant population is also assumed to be less educated than the legal immigrant population, because many legal immigrants obtain their status through their higher education.

Within this illegal immigrant population, the DAPA-eligible group was defined as individuals who had at least one U.S. born child and who had entered the U.S. at least five years prior to the survey. The March 2011 CPS was used for the analysis; since the number and composition of the illegal immigrant population has changed only slightly since 2011, estimates with more recent data should be quite similar.

This analysis estimates there are 3.97 million DAPA-eligible individuals in the nation today. By contrast, the Migration Policy Institute has estimated 3.75 million and the Pew Hispanic Center, 3.5 million. The exact number of DAPA-eligible individuals cannot be known with certainty. Differences the DAPA estimates will be driven by differences in the share of illegal immigrants who are estimated to have U.S. born children.

Estimating Tax Revenues and Means-Tested Welfare Benefits

The Census Bureau imputes values for federal income tax, personal FICA tax, the EITC and the ACTC into the Current Population Survey (CPS) based on family structure and income. This analysis doubles the FICA tax payments in the CPS to incorporate both the employer and employee shares of the tax; for low and moderate earned income, this makes FICA taxes equal to roughly 15.3 percent of earnings.

The Census imputations, in effect, assume that all individuals in the CPS are legal and that all earnings are "on the books." By contrast, the current analysis assumes that illegal immigrant families receive neither the refundable EITC nor the refundable ACTC; therefore, the Census-imputed values for these benefits are reset at zero for illegal immigrants prior to President Obama's executive order (*status quo ante*). The analysis also assumes that 45 percent of illegal immigrants work "off the books" and do not pay

direct taxes on their earnings. Census's imputed revenues for federal personal income tax and FICA tax for illegal immigrants as a group are therefore reduced by 45 percent in status quo ante conditions.

After the executive order, all DAPA-eligible families are assumed to receive the full imputed values of the EITC and ACTC. All DAPA-eligible individuals are also assumed to work on the books and therefore pay the full tax revenues imputed by Census for federal income tax and FICA taxes (doubled).

This analysis also used CPS data to estimate the receipt of other means-tested welfare benefits. Census data on receipt of means-tested benefits such as Food Stamps, Medicaid, SCHIP, and public housing are based on the self-report of families in the survey. Adult illegal immigrants do not receive these benefits but their U.S. born children often do; therefore, self-reported receipt of benefits within illegal immigrant families can be higher than many policy makers imagine.

The analysis compared aggregate revenues for specific taxes and spending for specific programs in the CPS to administrative totals for actual revenues and spending. CPS figures were then adjusted for overall under or over reporting. This adjustment assumes the illegal immigrants under-report receipt of welfare at the same proportionate rate as the legal population.

Future Social Security and Medicare Costs

In order to calculate the future retirement benefits in Social Security and Medicare for DAPA recipients, the analysis assumes that 3.97 illegal immigrants would apply and receive legal status under the DAPA provisions. The analysis further assumes that all of these individuals would fulfill at least 40 quarters of minimal employment in the decades ahead and thereby become eligible for Social Security and Medicare benefits.⁹

The projected number of 3.97 million DAPA adults was reduced in future years according to the standard mortality tables for Hispanic males and Hispanic females weighted by the gender distribution of the DAPA group.

DAPA amnesty recipients are currently raising families in the U.S. They also would have a very large financial incentive to remain in the U.S. and at least until they have earned eligibility for Social Security benefits; nonetheless, the analysis assumes that 10

⁹ It seems unlikely that large numbers of DAPA recipients would remain legally in the U.S. for decades without a minimal employment history. If these individuals were lifetime housewives, they would, in most cases, be eligible for spousal or survivor Social Security benefits. If the individuals were eligible for no Social Security benefits it seems likely that future legislation would make them eligible for the back up program, Supplemental Security Income (SSI). It seems very unlikely that DAPA recipients would be allowed to remain legally in the U.S. for 30 years or more and then made destitute at age 67.

percent would emigrate before earning eligibility. After reductions for mortality and emigration, 3.13 million DAPA beneficiaries would begin receiving Social Security and Medicare at age 67. (A small number would already be receiving OASDI disability benefits.) The current median age of DAPA-eligible individuals is 36; that individual would begin receiving retirement benefits in 2046.

Estimated future Social Security and Medicare benefits are adjusted for inflation and expressed in constant 2010 dollars. The mean annual Social Security benefit for DAPA recipients (\$11,236) equals the average benefits received by current retired, legal immigrants with the same average level of education as the DAPA group. The Medicare benefit level (\$10,365) was set at the mean Medicare benefit level for persons over 65 in 2010. The combined annual Social Security and Medicare benefit per person for DAPA recipients was thus assumed to be \$21,601 in constant 2010 dollars.

Key Assumptions

In estimating the fiscal consequences of President Obama's DAPA policy, the following parameters or assumptions are the most critical: 1) the estimated number of DAPA-eligible individuals; 2) the estimated percentage of DAPA-eligible persons who would actively apply for and receive legal status; and 3) the estimated future emigration rate of the DAPA-eligible population.

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Mr. DESANTIS. Thank you. The gentleman's time has expired. The Chair now recognizes Dr. Camarota for 5 minutes.

STATEMENT OF STEVEN A. CAMAROTA

Mr. CAMAROTA. I would like to thank both the committee and the subcommittee for inviting me here to talk about this very important topic.

Let me start by stating that there is this general agreement that individuals, immigrant or native, legal or illegal, with modest levels of education and resulting lower incomes, are a net fiscal drain, paying less in taxes than they use in services.

In contrast, more educated individuals, immigrant or native, earn higher wages and are a net fiscal benefit. This is not just common sense, but it is not even very controversial.

Prior research by the Center for Immigration Studies, as well as the Pew Hispanic Center, indicate that about half of all legal immigrants have not graduated high school and about another quarter have only a high school education.

That gives us an idea and helps us understand what the likely educational profile would be of those who receive the President's deferred action. Given the education level of illegal immigrants who are likely to receive DAPA, it seems certain that allowing them to remain in the Country is costly to taxpayers, whether they have legal status or not.

For example, in 2014, 61 percent of households headed by immigrants who had not graduated high school told the Census Bureau in the current population survey that they were using one of the Federal welfare programs, cash and non-cash.

Again, these figures are just what they told the Census Bureau. There is actually under reporting. The actual rates are higher.

Given the education level of immigrants likely to get DAPA, the total fiscal cost, all taxes paid minus all services used at all levels of government is probably something like \$30 billion negative, if you take into account all their taxes and use of services.

What would happen if we legalized them? If everyone who is eligible for DAPA comes forward and everyone pays all the taxes they should, these are big assumptions but if you just reduce it, cut these by 10 to 20 percent, whatever you think the compliance will be, the point is if everyone gets what they are entitled to and pays all the taxes they are supposed to, then it looks like they would pay about \$8 billion more in taxes and you get about \$9 billion more at the Federal level from just the earned income tax credit and the additional child tax credit. Those are the two main programs for low income workers of this kind.

In short, amnesty will not increase both tax revenue and cost but this is a reminder that you cannot generate net income for public coffers from less educated, low income people. Having said that, it must be remembered that most immigrants come to America to work. Most immigrants, in fact, do work and even most illegal immigrants pay taxes, but less educated immigrants, as a group, do not pay anywhere near enough in taxes to cover their consumption of public services regardless of legal status.

Let me also say that the net fiscal drain that less educated immigrants create and less educated natives, for that matter, we should not see this as some kind of moral failing on their part.

Instead, we should see this fiscal drain as simply reflecting the nature of the modern American economy that offers limited opportunities to the less educated and the existence of a well developed welfare State which provides assistance to low income workers.

This last point is important. Welfare and work in America go together like love and marriage. The vast majority of households reporting they are using the welfare system, particularly the non-cash programs, have a worker in them. That describes a lot of immigrant households, particularly the ones that would get DAPA.

The existence of a welfare State remember is one of the very reasons we have an immigration system in the first place that admits some people but not others because we are trying to very much avoid the fiscal costs.

Granting amnesty like DAPA to those in the Country illegally and letting them stay negates one of the very reasons we have a legal immigration system that selects people.

Of course the fiscal costs, let me say in conclusion, are only one consideration. There are many others to think about. If we do move forward some kind of amnesty, if the judge lifts his order or what have you and people continue to advocate for it, we have to be honest with the American people and acknowledge the very real costs that come from allowing illegal immigrants to stay in the Country and not try to bamboozle them with the idea that this is going to be a fiscal benefit.

Thank you.

[Prepared Statement of Mr. Camarota follows:]

The Fiscal and Economic Impact of Administrative Amnesty Examining the implications for public coffers and American workers

**National Security Subcommittee and Subcommittee on Health Care,
Benefits and Administrative Rules
House Committee on Oversight and Government Reform**

March 17, 2014
Statement of Steven A. Camarota, PhD
Director of Research
Center for Immigration Studies

When thinking about the fiscal impact of immigrants — taxes they pay minus the costs they create for government — there is agreement that individuals (immigrant or native) with modest levels of education and resulting lower incomes are a net fiscal drain, paying less in taxes than they use in services. In contrast, more educated individuals (immigrant or native) earn higher incomes and are a net fiscal benefit. Prior research indicates that illegal immigrants have about a tenth-grade education on average. Given the education level of those likely to receive the Deferred Action for Parents of Americans (DAPA), it seems certain that allowing them to remain in the country will be costly to taxpayers. The DAPA amnesty will likely increase the cost to taxpayers as DAPA recipients will become eligible for more means-tested programs, such as the Earned Income Tax Credit and the Additional Child tax Credit. Any hoped-for increase in tax revenues from DAPA recipients would be offset by the added costs of such programs. It must be remembered that the costs stem not from the fact that illegal immigrants do not work, but rather their education levels, which result in low average incomes and low average tax payments. Their low incomes also mean that they or, more often, their U.S.-born children are eligible for means-tested programs.

As for the impact on American workers, we can expect that, once given work authorization, illegal immigrants will become more likely to find relatively better-paying jobs that are currently off-limits to illegal immigrants because they require background checks and valid Social Security numbers. These include security guards, screeners, janitors, groundskeepers, and clerks employed in the public sector. This may benefit the illegal immigrants, but it also means native-born Americans and legal immigrants will face more job competition for the shrinking pool of better-paying jobs available to the less educated. Further, the Affordable Care Act (ACA) requires employers to pay a tax (penalty) if they do not provide health insurance. As amnesty beneficiaries are not covered by the ACA, this could create an incentive to hire illegal immigrants and avoid the penalty.

Introduction

In November 2014, the Obama administration announced its program to give legal status, including work authorization, identity documents, and other benefits to perhaps four million illegal immigrants.¹ The Deferred Action for Parents of Americans (DAPA) program is for parents who have children who are legal immigrants or were born in the United States. This grant of administrative amnesty expands one the Administration granted to roughly two million other illegal immigrants in June 2012, referred to as Deferred Action for Childhood Arrivals (DACA).

When considering the fiscal and economic considerations of DAPA, the most important fact to remember is that a very large share of illegal immigrants have modest levels of education. Prior research, as well as

common sense, indicates that persons with this level of education (immigrant or native-born) create a large fiscal drain — using more in services than they pay in taxes. Their education level also means that they will generally compete with less-educated, poorer Americans for jobs.

Fiscal Costs

Understanding the Fiscal Impact of the Less Educated. In our own research, we estimated that 54 percent of adult illegal immigrants have not completed high school, 25 percent have only a high school degree, and 21 percent have education beyond high school.² The Heritage Foundation in its 2013 study of illegal immigration estimated that, on average, illegal immigrants have a tenth-grade education.³ The Pew Hispanic Center has estimated that 47 percent of illegal immigrants have not completed high school and 27 percent have only a high school education.⁴ The education level of this population is key to understanding why illegal immigrants as a group do not pay enough in taxes to cover their consumption of public services.

Table 1 reports important characteristics of adult immigrants and natives by education level based on Census Bureau Data from 2014. The table makes no assumptions about legal status and instead simply reports what the immigrants and natives told the Census Bureau about their income, welfare use, and other measures of socio-economic status.

Table 1. Less-educated immigrants make progress the longer they live in the U.S., but this progress still leaves them dramatically poorer, and much more likely to use welfare, be uninsured and have no federal income tax liability than the average native-born American.

	Total Population, 2008				Households			
	Average Total Income	Poverty	In or Near Poverty	Without Health Insurance	Only English or Speaks It Very Well	Welfare Use	Home Ownership	No Federal Income Tax Liability
All Education Levels								
Native	\$38,616	12.0%	29.2%	12.8%	98.6%	24.7%	65.7%	32.6%
Immigrant	\$32,770	17.3%	41.8%	28.2%	49.0%	39.9%	50.9%	40.3%
Recent Immigrants ≤ 5 Yrs.	\$24,051	27.2%	49.9%	36.9%	40.1%	35.8%	13.0%	45.8%
Immigrants in U.S. 20 Yrs.	\$30,548	18.5%	43.7%	28.4%	48.5%	48.7%	51.3%	40.0%
Less than High School								
Native	\$15,154	27.3%	57.5%	18.2%	95.5%	48.9%	52.6%	66.6%
Immigrant	\$16,280	29.2%	65.2%	41.6%	20.2%	61.3%	42.4%	61.9%
Recent Immigrants ≤ 5 Yrs.	\$11,442	41.1%	73.1%	52.6%	15.0%	57.5%	11.8%	70.8%
Immigrants in U.S. 20 Yrs.	\$16,468	31.0%	66.2%	47.6%	20.2%	72.5%	40.2%	60.2%
High School Only								
Native	\$26,921	14.5%	36.9%	16.2%	98.6%	30.5%	63.9%	41.7%
Immigrant	\$22,104	17.0%	47.0%	32.6%	44.1%	47.2%	46.5%	48.0%
Recent Immigrants ≤ 5 Yrs.	\$13,275	28.2%	62.6%	47.6%	28.1%	60.4%	15.9%	63.3%
Immigrants in U.S. 20 Yrs.	\$21,784	19.3%	51.1%	31.8%	43.6%	55.2%	47.1%	48.0%
Some College								
Native	\$31,975	11.6%	28.8%	13.4%	99.0%	26.4%	62.4%	32.4%
Immigrant	\$28,715	13.4%	35.7%	23.2%	64.2%	35.0%	52.8%	37.2%
Recent Immigrants ≤ 5 Yrs.	\$17,836	27.2%	50.3%	34.7%	46.2%	32.9%	15.5%	50.7%
Immigrants in U.S. 20 Yrs.	\$24,192	16.7%	36.8%	21.1%	66.1%	45.8%	49.6%	40.3%
Bachelor's or More								
Native	\$65,326	4.8%	12.4%	6.8%	99.3%	11.3%	74.2%	15.3%
Immigrant	\$60,087	8.6%	19.0%	14.7%	73.5%	21.3%	59.6%	20.2%
Recent Immigrants ≤ 5 Yrs.	\$38,565	18.4%	30.4%	23.6%	57.8%	19.5%	11.8%	27.8%
Immigrants in U.S. 20 Yrs.	\$56,944	6.2%	18.1%	10.2%	72.9%	24.2%	66.2%	15.9%

Source: With the exception of language and home ownership, all figures are from a Center for Immigration Studies analysis of the public-use files from the March 2014 Current Population Survey (CPS). Those in the country 20 years in the 2014 CPS indicated that they came to the country in 1992 to 1995. Home ownership and language skills are based on a Center for Immigration Studies analysis of the public-use files of the 2013 American Community Survey (ACS). Those in the country 20 years in the 2013 ACS indicated that they arrived in 1992, 1993, and 1994. Poverty, income, and health insurance figures are for adults only. In or near poverty is defined as under 200 percent of the poverty threshold. Welfare use, home ownership, and income tax liability are based on the nativity of the household head. Welfare programs include TANF, SSI, WIC, food stamps, free/reduced lunch, public/subsidized housing and Medicaid.

Focusing on those without a high school education or only a high school education in Table 1 shows that these less-educated immigrants and natives have low average incomes and often live in or near poverty and lack health insurance. Further, households headed by the less educated often access welfare and typically have do not have any federal income tax liability. There is nothing particularly surprising about the results in Table 1. Education has become the single best predictor of socio-economic status.

It is worth noting that of households headed by an immigrant without a high-school degree, more than half are headed by an illegal immigrant. Yet the data in Table 1 still show that 61.3 percent of these

households access one or more welfare programs. This is a strong indication by itself that illegal immigrant-headed households make significant use of welfare programs.

Equally important, the table shows that while less-educated immigrants who have been in the country for 20 years are significantly better off than their newly arrived counterparts, they do not come close to closing the economic and social gap with natives. Since about half of illegal immigrants have less than a high school education, and about one quarter have only a high school education, allowing them to remain in the country unavoidably creates a significant fiscal drain on public coffers. It should be added that the overwhelming majority of working-age immigrants are in fact working, as are the overwhelming majority of natives.⁵ But workers with low levels of education, regardless of legal status, still often live in or near poverty, lack health insurance, and access the welfare system. The table also shows that the less educated often have no federal income tax liability.

Prior Research on Fiscal Impact of Immigrants. The National Research Council (NRC) estimated in 1996 that immigrant households (legal and illegal) create a net fiscal burden (taxes paid minus services used) on all levels of government of between \$11.4 billion and \$20.2 billion annually.⁶ The NRC also found that the fiscal impact of immigration depends heavily on the education level of the immigrants in question.⁷ At the individual level, excluding any costs for their children, the NRC estimated a net lifetime fiscal drain of -\$89,000 (1996 dollars) for an immigrant without a high school diploma, and a net fiscal drain of -\$31,000 for an immigrant with only a high school education. However, more educated immigrants create a lifetime net fiscal benefit of +\$105,000.⁸

In 2013 a Heritage Foundation study found that the average household headed by an illegal immigrant used nearly \$14,400 more in services than they paid in taxes, for a total fiscal drain of \$55 billion. The Heritage study is absolutely clear that the fiscal costs associated with illegal immigrant households is directly related to their educational attainment. They find that illegal immigrants have on average only 10 years of schooling. In a study I authored for the Center for Immigration Studies (CIS), we found that if illegal immigrants were legalized and began to pay taxes and use services like households headed by legal immigrants with the same education levels, it would roughly triple the net cost of illegal immigrant households to \$29 billion, or \$7,700 per household at the federal level.⁹

My own research and that of Heritage indicates that illegal immigrants with little education are a significant fiscal drain, but less-educated immigrants who are legal residents are a much larger fiscal problem because they are eligible for many more programs. For this reason, legalization will tend to increase net costs in the long run. But this fact should not be seen as some kind of moral failing on the part of the less-educated, immigrant or native. Rather it should be seen as reflecting the nature of the modern American economy that offers limited opportunities to the less educated and the existence of a well-developed welfare state, which provides assistance to low-income workers, particularly those with children.

DAPA, the EITC, and the ACTC. There has been some interest in how DAPA might impact these two programs. Table 2 shows my estimates of the possible costs of DAPA recipients to these programs and their offsetting tax contributions. Based on Census Bureau data, I estimate that there are about 2.1 million illegal households with U.S.-born or legal immigrant children who have been here long enough to qualify for DAPA.¹⁰ In the discussion that follows, I report figures assuming that everyone eligible for DAPA comes forward and complies with the tax laws and receives the benefits for which they are entitled.

Number of illegal immigrant households eligible for DAPA	Average value of the EITC for illegal immigrant households	Average value of the ACTC for illegal immigrant households	Total they would get from both programs if DAPA is implemented
2,100,000	\$2,948	\$1,455	\$9.24 billion
Increase in average income tax liability for illegal immigrant receiving DAPA ²	Total increase in federal income liability ⁴	Increase in average FICA tax liability for illegal immigrants receiving DAPA ^{3,5}	Total increase in FICA taxes liability for illegal immigrants receiving DAPA ^{3,5}
\$617	\$1.3 billion	\$3,259	\$6.84 billion
Total increase in tax revenue	Total increase in costs of EITC and ACTC	Net cost of DAPA (FICA + income tax) minus (EITC and ACTC)	
\$8.14 billion	\$9.24 billion	-\$1.1 billion	

¹ Values reflect number of households headed by an illegal immigrants eligible for DAPA based on the 2011 to 2014 Current Population Survey, Annual Social and Economic Supplement. All values are adjusted for under-reporting in the CPS.

² Values assume a 5 percent immediate increase in earnings as a result of DAPA.

³ Includes employer contributions to FICA.

Table 2 reports our estimates for the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC) annually. Based on Census Bureau data and given the number of children and income of this population I estimate that illegal immigrant households are eligible for \$2,948 from the EITC and \$1,455 from the ACTC. The total costs for these two programs to taxpayers as a result of DAPA would be \$9.24 billion annually. (This value simply takes the average benefit level and multiplies it by the number of DAPA recipients.)

Added Tax Revenue from DAPA. DAPA would not simply cost taxpayers' money, it would also increase tax revenue. In estimating the added tax revenue from DAPA recipients it should be noted that the earnings of many illegals are already subject to taxation. In our prior analysis of illegal immigrants and their tax contributions, we have estimated that 55 percent have provided an employer with a Social Security number (one made up, stolen, or otherwise acquired) and have taxes withheld.¹¹

We find that few illegal immigrants have federal income tax liability. Our analysis of the Census Bureau data indicates that only 24 percent of illegal immigrants have any federal income tax liability at all. That is, one in four illegal immigrant households would pay federal income tax if they were paid on the books given their income and other characteristics. Of those who do have tax liability, it averages only \$1,233 annually. Nonetheless, compliance with income tax law should increase with legalization and we estimate that income tax receipts would increase by \$1.3 billion as a result of DAPA. To be clear, this estimate, like the one for the EITC and ACTC, assumes all those eligible for legalization come forward and receive it and that the immediate rise in earnings for amnesty beneficiaries is 5 percent.

While illegal immigrants make relatively modest federal income tax payments and that is not likely to change with legalization, they do pay a good deal in Social Security and Medicaid taxes. FICA taxes, as they are known collectively, are not based on income, number of dependents, or other factors like the income tax; instead it is a flat tax. Including the contribution employers make on the behalf of their workers, Medicare and Social Security come to 15.3 percent of earnings. I estimate that, given their earnings, illegal immigrant households would pay \$6.84 billion in additional FICA taxes if legalized.¹² If we combine the total increase in income and FICA taxes, then the total increase would be \$8.14 billion annually as a result of DAPA. This would be offset by costs of \$9.24 billion for the EITC and ACTC for a

net drain of slightly roughly one \$1 billion annually. These estimates indicate how legalization can both increase tax revenue and costs to taxpayers at the same time.

Caveats. The first and most important caveat is that any estimate of illegal immigration is subject to significant error, and although our estimates of the illegal population are consistent with others, there remains uncertainty about the size and characteristics of this population. Second, the above estimates assume that everyone who is eligible for DAPA will come forward and pay their taxes and receive the benefits for which they qualify. If, for example, only three-fourths of illegal immigrants eligible for DAPA come forward, and of those only 90 percent decide to work “on the books” and pay taxes and collect the EITC and ACTC, then the total costs would be reduced by about 37 percent, but tax revenue would be reduced by the same percentage. Another important caveat is that we cannot say for certain what share of illegal immigrants who would qualify for the DAPA already receives the EITC and ACTC. Technically, illegal immigrants are not eligible for the EITC, but prior analysis by the Treasury Department inspector general indicates that some illegal immigrants already receive the ACTC.¹³

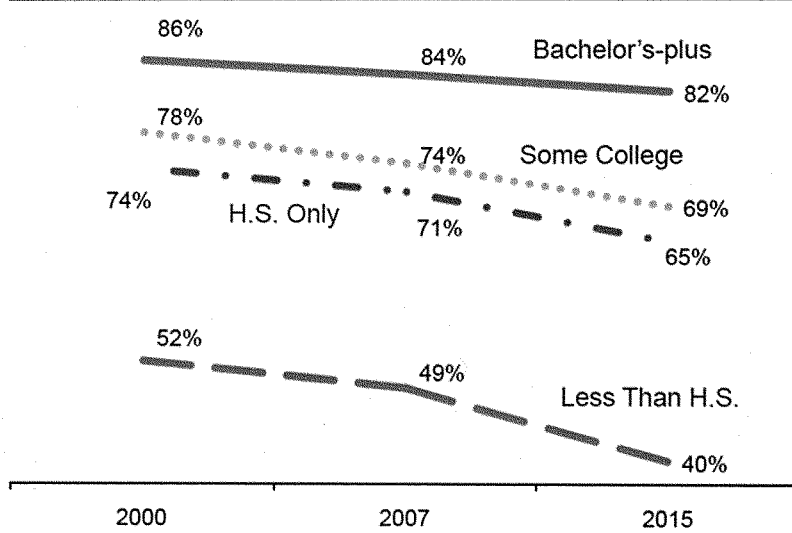
We also cannot say how much illegal immigrant incomes will rise with legalization. I have assumed a 5 percent immediate increase in my analysis. However an increase of, say, 10 percent would make little difference in the above estimates. The hope is that the income of illegal immigrants would rise, but it must be remembered that their education levels would remain much lower than the rest of the U.S. population so their income will continue to be low relative to natives. Finally, we do not know how many fraudulent applicants there will be for DAPA nor do we know how many DAPA recipients will use fraud to receive EITC or ACTC programs. Prior amnesties as well as the EITC have been plagued by fraud.¹⁴ Thus there is uncertainty for some of the elements used to generate the above estimates.

Labor Market Effects

It seems very likely that DAPA would benefit illegal immigrants by allowing them to move into higher-paying jobs. The hope would be that they would be less exploitable and therefore would not under-cut the wages of natives. Whether this turn out to be true is another question. However, there are other issues to consider that may work against the interests of native-born workers. These issues should at least be considered.

A Bleak Labor Market for the Non-College Educated. In any discussion of giving work authorization to illegal immigrants, it must be remembered that the labor market situation for native-born workers has not come close to returning to 2007 levels even with the recent improvement in the job market overall. Figure 1 reports employment rates (share working) for working-age natives (18 to 65) using data from January 2015, 2007, and 2000. As the figure shows, the employment situation looks dramatically worse for less-educated natives in 2015 than in 2007 or 2000. Thus, despite recent job growth, the share of natives holding jobs remains well below the level in 2007. In fact, the share of natives holding a job in 2007 was actually well below the levels in 2000, as natives never fully recovered from the 2001 recession.

Figure 1. January 2000, 2007, and 2015
Share of natives (18 to 65) holding a job has not come close to returning to prior levels, despite recent job growth.



Source: Figures are for persons 18 to 65 from the public-use files of the January 2015, 2007, and 2000 Current Population Survey. Natives are those who are U.S. citizens at birth.

In January of this year, there were still 49.9 million adult natives (ages 18 to 65) not working, almost 41 million of whom do not have a bachelor's degree. In January 2000, there were 31 million natives (18 to 65) without a college degree not working.¹⁵ It should also be added that wages for workers with less than a college education show no long-term growth.¹⁶ Giving immigrants work authorization may well benefit illegal immigrants, but it will also add millions of individuals with work authorization to the labor force at a time when less-educated natives continue to struggle.

Increasing Job Competition. Once given work authorization, illegal immigrants are more likely to compete with Americans for better-paying jobs that are now generally off-limits to them because they require background checks and valid Social Security numbers. Such jobs include security guards, screeners, janitors, groundskeepers, and clerks employed in the public sector. In addition, illegal immigrants often cannot work at jobs associated with interstate transport and delivery, as background checks are common for such jobs.

Considering security guards, my colleague Karen Keigler and I have estimated that less than 3 percent of this occupation is comprised of illegal immigrants. But that will almost certainly change if DAPA moves forward and illegal immigrants gain Social Security numbers and government-issued identification. There

are over one million security guards in the United States and, in general, it is a job for people who do not have a college education that pays relatively well and typically provides benefits. We have also estimated less than 1 percent of airport and other transportation screeners are illegally in the country and less than 10 percent of truck drivers are illegal immigrants.¹⁷ Again, these relatively well-paying jobs for the non-college educated will now open up to illegal immigrants. That may well benefit illegal immigrants, but may also reduce the job prospects of natives.

The ACA's Incentives. In addition to placing more of America's workforce into competition with illegal immigrants, DAPA may also adversely impact natives because of an odd provision of the Affordable Care Act (ACA). The ACA penalizes employers with more than 50 employees (up to \$3,000 per employee) who do not provide health insurance if even just one of their workers goes to the insurance exchange and receives a subsidy. The idea behind this provision is to incentivize employers to offer health insurance. If only one employee gets a subsidy from the exchange, the employer is penalized up to \$3,000 for all of its full-time employees. However, unlike other workers DAPA recipients are not subject to the ACA and cannot get subsidies, therefore employers will not have to pay any penalty for their lack of insurance. This could create a strong incentive to hire amnesty beneficiaries over natives and legal immigrants.

Because employers are penalized if only one worker does not have insurance and gets a subsidy from the exchange, companies will still have to provide insurance to natives and legal immigrants, but not DAPA recipients. They could do this by putting only DAPA workers into jobs that do not provide insurance. For example, a company could provide health insurance to management, but not support staff and then hire DAPA recipients for support staff positions. It might also be possible for a company to provide insurance to only existing workers, but not new workers, at least for a time. Employers could then hire amnesty recipients when positions become vacant. While it is not clear how much the ACA might lead to amnesty recipients getting jobs over natives and legal immigrants, the possibility certainly exists as the incentive to do so is significant at \$3,000 a year for each employee.

Conclusion

When it comes to thinking about the fiscal impact of immigrants, the most important point to consider is the education levels of the immigrants in question. The overwhelming majority of illegal immigrants have modest levels of education, with three-fourths having no education beyond high school. The fiscal problem created by less-educated immigrants exists even though the vast majority of immigrants, including illegal immigrants, work and did not come to America to get welfare. The realities of the modern American economy, coupled with the modern American administrative state make large fiscal costs an unavoidable problem of less-educated immigration. This conclusion is not controversial as it reflects common sense and prior research. Of course, the fiscal costs are only one consideration. There may well be other compelling reasons for allowing illegal immigrants to remain or even granting them amnesty. But if we do so, we should at least be honest with the American people and acknowledge the very real fiscal costs of allowing illegal immigrants to remain in the country.

End Notes

¹ "A Guide to the Immigration Accountability Executive Action", Migration Policy Institute, November 2014.

² Steven A. Camarota, "Immigrants in the United States: A Profile of America's Foreign-Born Population", Center for Immigration Studies, 2012, p. 69.

³ Robert Rector and Jason Richwine, "The Fiscal Cost of Unlawful Immigrants and Amnesty to the U.S. Taxpayer", Heritage Foundation, 2013.

⁴ Jeffrey S. Passel and D'Vera Cohn, "[A Portrait of Unauthorized Immigrants in the United States](#)", Pew Hispanic Center, 2009.

⁵ The public-use file of the January 2015 Current Population Survey collected by the Census Bureau shows that 69.4 percent of immigrants ages 18 to 65 were working, as were 69.7 percent of natives in the same age group.

⁶ *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration*, Washington, DC: National Academies Press, 1997.

⁷ See end note 6.

⁸ See end note 6.

⁹ Steven Camarota, "[The High Cost of Cheap Labor: Illegal Immigration and the Federal Budget](#)", Center for Immigration Studies, 2004.

¹⁰ For a discussion of how we estimate illegal immigrants using Census Bureau data, see "[Immigrants in the United States: A Profile of America's Foreign-Born Population](#)", Center for Immigration Studies, August 2012.

¹¹ Steven A. Camarota, "[The High Cost of Cheap Labor: Illegal Immigration and the Federal Budget](#)", Center for Immigration Studies, 2004.

¹² I estimate that households that are headed by illegal immigrants who would qualify for DAPA have average earnings of \$42,600 a year. This may seem high, but it must be remembered that this is an average, not a median figure. Second, these households are almost twice the size of the average native household, 4.7 members vs. 2.4 members for natives. Also, native households have 27 percent higher earnings even though they are half the size. This means that the per-capita household earnings of native households is roughly \$22,500 and only about \$9,000 for illegal immigrant households. Further, natives have much more unearned income than illegal immigrants, making the income disparity between the households even larger. For these reasons, native households have much higher federal income tax liability than immigrant households. However, illegal immigrant FICA tax liability, while good deal less than for natives, is still substantial as FICA is a flat tax.

¹³ Treasury Inspector General for Tax Administration Report, [Reference Number 2011-41-061](#), July 7, 2011.

¹⁴ Fraud has been a serious problem with the EITC; see Treasury Inspector General for Tax Administration Report, [Reference Number 2013-40-084](#), August 2013. It is also generally acknowledged that roughly one-third to one-fourth of those legalized under the 1986 IRCA amnesty did so fraudulently. See p. 2 in Steven A. Camarota, "[Amnesty Under Hagel-Martinez: An Estimate of How Many Will Legalize If S. 2611 Becomes Law](#)", Center for Immigration Studies, June 2006.

¹⁵ Figure based on an analysis of public-use monthly files of the January 2000, 2007, and 2015 Current Population Survey (CPS). The CPS is collected by the Census Bureau for the Bureau of Labor Statistics and is the nation's primary source of information the labor force.

¹⁶ The Economic Policy Institute has tracked the lack of wage growth. Their most recent findings can be found [here](#). [This report](#) provides a detailed breakdown by educational attainment.

¹⁷ Steven A. Camarota and Karen Zeigler, "[Are There Really Jobs Americans Won't Do? A detailed look at immigrant and native employment across occupations](#)", Center for Immigration Studies, 2013.

BIOGRAPHICAL SKETCH
Steven A. Camarota
Center for Immigration Studies

Steven A. Camarota is Director of Research at the Center for Immigration Studies in Washington, D.C. He holds a Ph.D. from the University of Virginia in public policy analysis, and a Masters degree in political science from the University of Pennsylvania.

In recent years he has testified before Congress more than any other non-government expert on the economic and fiscal impact of immigration. For a number of years he was lead researcher on a contract with the Census Bureau examining the quality of immigrant data in the American Community Survey.

His research has been featured on the front pages of the *New York Times*, *Washington Post* and *USAToday* as well as many other media outlets. He has written academic articles for such journals as the *Public Interest* and *Social Science Quarterly*. He has also written general interest pieces for such publications as the *Chicago Tribune* and *National Review*. He appears frequently on radio and television news programs including *CNN*, *MSNBC*, *Fox News Channel*, *NBC Nightly News*, and *ABC World News Tonight*, *CBS Evening News*, *National Public Radio*, and the *Newshour on PBS*.

Mr. DESANTIS. I thank the gentleman.
The Chair now recognizes Ms. O'Connor, for 5 minutes.

STATEMENT OF EILEEN J. O'CONNOR

Ms. O'CONNOR. Mr. Chairman, Ranking Member and members of the subcommittees, thank you very much for inviting me to be with you today.

I speak on my own behalf as a private citizen and not on behalf of my firm or my partners or its clients. I hope to bring to you some of the understanding I have gained through many decades of working with the Internal Revenue laws both inside and outside of government.

You have called this hearing to examine the fiscal costs of the President's executive actions on immigration. I will address the likely consequences of those programs to Federal tax administration and enforcement.

The Internal Revenue Service is charged with administering and enforcing the internal revenue laws. When enforcing the tax laws requires the involvement of a court other than the Tax Court, the United States' interests are represented by the men and women of the United States Justice Department Tax Division.

It was my privilege for 6 years to be the head of the Tax Division and that is the basis of some of my experience that I will relate to you today.

As required by the Inspector General, Act, the Department of the Treasury has an Office of the Inspector General. It was established in 1989. In accordance with the Internal Revenue Service Reform and Restructuring Act of 1998, a new Inspector General was established, the Treasury Inspector General for Tax Administration, often called TIGTA.

The Treasury Inspector General for Tax Administration, TIGTA, has studied the issue of refundable credits for many years and issued many reports. In my testimony, I summarize many of those reports for you.

To understand the phenomena that we are talking about, the impact of DACA and DAPA, are under tax administration and enforcement, we need to understand two phenomena: ITINs, Individual Tax Identification Numbers, and refundable credits.

In 1996, the Internal Revenue Service established individual tax identification numbers so that it could track the tax payments and tax returns of people who don't have Social Security numbers because they are not Americans.

Many people outside the United States, for example, might have rental property in the United States. If you do, you are taxed on that income but you don't have a Social Security number because you are not a United States citizen. You, nonetheless, have to pay tax.

To track those taxes and tax returns, the IRS established the individual tax identification number.

It also almost immediately began giving those numbers to people who are in the Country illegally, working, earning income but not able to get a Social Security number because they were in the Country illegally and not authorized to work, but they were work-

ing and they were earning income so they were obligated by law to file a tax return.

The Internal Revenue Service does not consider its obligation to determine the legal immigration status of people who file tax returns. The IRS was happy to have the tax returns that are filed by people in the Country illegally and to have their tax payments.

For 1997, one of the first years the IRS issued ITINs, 180,000 tax returns were filed using them. By the end of 2003, that number had blossomed to 7 million.

Let me discuss for a moment refundable credits. Refundable credits are neither refunds nor credits. A refund is an amount you get back after you have paid it. A credit is an amount that is credited to your account because you have paid it. A refundable credit is neither.

A refundable credit eliminates the Social Security taxes that people have paid. Low income people are relieved of many income tax burdens because the first x amount of dollars is not taxable and then after that, they are taxed at a very low rate.

The Social Security system does not work that way. Social security taxes have to be paid. The earned income tax credit is a way to refund to people who have paid the Social Security tax, refund that tax to them.

The additional child tax credit is another refundable credit. Again, this is an amount which represents an amount that the Treasury Department is going to write checks for even though the person to whom they are writing the check has not actually paid any tax at all.

You can have a tax liability before one of these credits of \$400, have paid in nothing, have a refundable credit of \$1,000 and Uncle Sam will write you a check for \$600.

This is equally true of earned income tax credits and the additional child tax credit. For years and years, the Treasury Department Inspector General for Tax Administration has been warning the Internal Revenue Service that these refundable credit systems are absolutely fraught with fraud. Hundreds of billions of dollars are paid out annually on fraudulent refund claims.

The Treasury Inspector General also pointed out to Senator Roth back in the 1990's that the earned income tax credit was being given to people who were not eligible to be working in the United States. Congress then changed the law to make a Social Security number a requirement for the earned income tax credit.

That same requirement was not extended to the additional child tax credit, so contrary to what my colleague on the right said a few moments ago, additional child tax credits, the refundable credit, are paid out to people who do not have Social Security numbers who are in the Country and working in the Country illegally.

[Prepared Statement of Ms. O'Connor follows:]

Testimony of
Eileen J. O'Connor, Esq.
Partner, Pillsbury Winthrop Shaw Pittman LLP

Before the House Committee on Oversight and Government Reform,
Subcommittee on National Security and
Subcommittee on Health Care, Benefits and Administrative Rules

Hearing on the Fiscal Costs of the President's Executive Actions on Immigration
March 17, 2015

Mr. Chairman, Ranking Member, Members of the Subcommittees: thank you for inviting me to be with you today.

I speak on my own behalf as a private citizen and not on behalf of my firm or partners or clients. I hope to bring to you some of the understanding I have gained during my decades of working with tax administration and enforcement from both within and without the government. This experience includes the six years – 2001~2007 – I was privileged to lead the honorable and dedicated men and women of the Tax Division of the United States Department of Justice.

You have called this hearing to examine the fiscal costs of the President's executive actions on immigration. I will address the likely consequences of those programs to federal tax administration and enforcement.

The Internal Revenue Service is charged with administering and enforcing the internal revenue laws. When enforcing the tax laws requires the involvement of a court other than the United States Tax Court, the 300 plus trial and appellate attorneys of the civil trial and criminal enforcement sections of the Justice Department's Tax Division represent the interests of the United States.

As required by the Inspector General Act, the Department of the Treasury has an Office of Inspector General, established in 1989. And, in accordance with the Internal Revenue Service Restructuring and Reform Act of 1998, Treasury also has another Inspector General, specifically authorized and obligated by law to provide independent oversight of Internal Revenue Service (IRS) activities. The office of the Treasury Inspector General for Tax Administration, most commonly called by its initials, TIGTA, is the one to which I will refer throughout as "Inspector General."

To describe the impact on tax administration and enforcement of the President's "executive actions" on immigration, we need to look at two phenomena: the Individual Tax Identification Number (ITIN), and "refundable credits."

ITIN

Non-U.S. persons with U.S.-related income are subject to the income tax, but are not eligible for social security numbers. In 1996, the IRS created the Individual Taxpayer Identification Number (ITIN) to enable it to track the tax payments and tax returns of people without social security numbers. And it began issuing these numbers to people in

the United States illegally. This, together with “refundable credits,” has been a gift to criminals intent on raiding the Federal Treasury.

In 1999, the Inspector General issued its first report on IRS’s implementation of ITINs. According to the Report, although IRS developed ITINs to facilitate its processing of the tax returns of non-resident aliens who had U.S.-related income, IRS was issuing them to aliens unlawfully resident in the U.S. The report expressed serious concern about the conflict this created with the obligation of the government to enforce the immigration laws. The Report also highlighted what it referred to as revenue protection issues, noting that “providing illegal aliens with valid TINs . . . increases the potential for fraud.” According to the Report, more than 340,000 ITIN applicants had identified themselves as illegal aliens. For the 1997 tax year 180,662 tax returns were filed using ITINs. By the end of 2003, IRS had issued more than 7 million ITINs. It receives about 2 million new applications for ITINs every year, and issues almost all of them, notwithstanding fraudulent documentation, but more on that later.

“Refundable credits”

The primary source of revenues that fund the operations of our federal government is the income tax. It could be very simple, and, in principle, it is. Everything is taxable and nothing is deductible unless otherwise specified. Everything that is taxable is taxable now and everything that is deductible is deductible later, unless otherwise specified. Having determined your net taxable income (income minus allowable deductions), and applied the appropriate tax rate to reach your tax liability, you then apply any credits for which you are eligible.

Let’s pause for a moment to consider that “credit” and “refund” in the income tax context are often misnomers. When your liability is \$100 and you have already paid \$60 of it, you have a \$60 credit, so only still owe \$40. If you had already paid \$110, you would have a credit of \$110, and be owed a refund of \$10. But the earned income credit, or earned income tax credit, called in our initial- and acronym-happy tax world, the EITC, is a new creature invented by Congress: a “refundable credit.” It does not represent an amount paid in, and it can do more than wipe out your liability. It can create a “refund” of an amount you never paid as income taxes. So you can have a liability before the credit of \$400, have paid in nothing, and, with a refundable earned income tax credit of \$1,000, get a check from Uncle Sam for \$600. The same is true of the additional child tax credit (ACTC).

IRS Policy

For more than two decades, various government watchdogs have been warning IRS and Congress that refundable credits were the vehicles for massive fraud against the Federal Treasury. Early on, it was the General Accounting Office, reporting to Senator Roth in 1994 that IRS was sending checks to illegal aliens in payment of the earned income credit. Congress addressed this shortly thereafter by making a social security number a requirement of receiving the credit. That has not stopped IRS from paying it, though. And Congress did not institute the same requirement when a few years later, it enacted the

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additional child tax credit. So IRS makes no effort to avoid paying the ACTC to unlawful immigrants.

The law makes a social security number a requirement of eligibility to receive the earned income credit. But in 1999, the Chief Counsel's office of IRS ruled that when a person receives a social security number, he can file amended returns to claim the credit for the three preceding years during which he did not. The logic is puzzling: you are not eligible for the credit if you don't have a social security number, but IRS will pay it to you three years during which you did not qualify for it.

Economists estimating the impact on the Federal Treasury of the "executive action" need to keep in mind that IRS will be paying out refundable credits not only for the current year, but also for the three prior years.

They will also want to consider that, in its budget request for 2014, the IRS asked for 440 million dollars to implement the Affordable Care Act, including 306 million dollars for information technology changes required to deliver the associated tax credits. Remember, the Affordable Care Act instituted a credit that is not only refundable, but also transferrable. The person receiving it can designate to whom the IRS should pay it, generally his insurance carrier.

The Tax Gap

There is from time to time, on Capitol Hill and elsewhere in government and in newsrooms, much handwringing about the tax gap, last estimated to be 385 billion dollars per year. The tax gap is the difference between the taxes the IRS should have collected and the amount it did. Note, however, that tax gap computations do not take into account money paid out of the Treasury on fraudulent refund claims. And, as we have seen, the fraud against the Treasury using ITINs and refundable credits amounts to hundreds of billions of dollars.

Refundable credits have given rise to a cottage industry – no the big business - of fraud on the Federal Treasury. Unscrupulous tax return preparers create false Forms W-2, or alter real ones, to create enough income to qualify the person – real or imagined - for the credits. Then they file returns claiming the refunds and take a share – or divert them altogether. Criminals file thousands of ITIN applications, and then thousands of tax returns claiming fraudulent refunds, and, as you will see in the nutshell summaries of Inspector General Reports, the Treasury pays them.

When I was head of the Justice Department's Tax Division, we shut down quite a few fraudulent return preparation operations, and the effort continues. But after-the-fact law enforcement cannot redress these crimes or recover the lost billions. The money should not be paid out of the Federal Treasury in the first place. And it is the responsibility of the Internal Revenue Service to see that it is not. But it invariably and repeatedly fails to do so.

Oath

Every state or federal employee or lawmaker swears an oath of allegiance to the Constitution of the United States of America. Article VI, Clause 3, of the Constitution requires as much. And the requirement is codified in 5 USC §3331, which provides the language of the oath.

The allegiance every government employee swears is to the Constitution, not to any person or office. Perhaps it was with their oaths in mind that, in the Spring of 2012, eleven current and former IRS employees responsible for processing ITIN applications contacted WTHR Eyewitness News in Indianapolis to report that their supervisors were requiring them to simply approve even the most suspect applications, thus creating a “massive loophole for illegal immigrants.”

Apparently some of these troubled IRS employees also wrote to Congress. At the request of members of Congress, the Inspector General investigated the allegations, and determined them to be well-founded. In a July 2012 report, the Inspector General identified numerous deficiencies in IRS procedures for processing of ITIN applications, leaving the door open for widespread fraud.

This was not the first time rampant ITIN-enabled raids on the Federal Treasury had been investigated. In 2002, IRS itself established a task force to review the problem and recommend ways to stem the tide. In July 2011, the Inspector General reported that in the previous year, Treasury had paid 4.2 billion dollars in refundable credits to people not authorized to work in the United States.

Inspector General Reports

Let's take a quick look at some of the Inspector General's reports over the years, along with a couple of other relevant items:

In 2004, the General Accounting Office reported that ITINs could easily be obtained using bogus documents and used for illegal purposes.

In 2009, the Inspector General reported an increase in the use of ITINs from 530,000 in 2001 to more than 1.8 million in 2007. The report highlights also note that for 2007, “1.2 million ITIN filers received Additional Child Tax Credits of 1.8 billion dollars,” and recommended that Congress pass legislation requiring a person claiming the ACTC to have a social security number. For 2000 to 2007 inclusive, ACTC totaling nearly

5.25 billion dollars had been paid on ITIN returns, likely with little or no verification of eligibility – i.e., the existence or U.S. residence of a qualifying child - even assuming unlawful immigrants are not ineligible.

From another 2009 report of the Inspector General, “Individual Taxpayer Identification Numbers Are Being Issued Without Sufficient Documentation” we learn that tens of thousands of ITINS had been used multiple times in the same year, resulting in hundreds

of millions of dollars in refunds paid. In 2008, more than 72,000 ITINs were used on multiple tax returns that resulted in the payment of **176 million dollars** in refunds.

In 2011, the Inspector General reported that individuals not authorized to work in the United States were paid **4.2 billion dollars** in refundable credits in 2010 alone. IRS did not agree to TIGTA's recommendation that it require additional documentation to support claims of child tax credits, notwithstanding that, for 91% of ITIN returns claiming ACTC, an examination resulted in an adjustment. But the refunds had already been issued. Additional child tax credits totaling nearly **14.25 billion dollars** were paid to illegal aliens in 2008, 2009, and 2010. IRS does not agree that this credit is not available to unlawful immigrants, and takes no steps to confirm that the child about whom the credit is claimed exists at all, or lives in the ITIN filer's household and not in another country.

Drawing upon data in several Inspector General Reports, the Center for Immigration Studies concluded in 2011 that for the six years 2005 – 2010, inclusive, illegal immigrants collected about **7.3 billion dollars** more from the Federal Treasury than they contributed to it.

Perhaps the most damaging of all the studies of IRS's handling of ITINs and tax returns filed using them is the Inspector General's July 2012 report, entitled, and concluding, with the understatement typical of the TIGTA, that "Substantial Changes Are Needed To The Individual Taxpayer Identification Number Program To Detect Fraudulent Applications." The Report concludes that IRS does not have controls over the issuance of ITINs sufficient to prevent or deter fraud. According to the Report: "In Processing Year 2011, the IRS processed more than 2.9 million ITIN tax returns resulting in tax refunds of **6.8 billion dollars**."

The report had been undertaken at the request of members of Congress, who forwarded complaints they had received from IRS employees. The employees complained that their supervisors pressured them not to carefully consider ITIN applications, but rather just to issue as many ITINs as possible as fast as possible. The Inspector General's audit confirmed the veracity of these complaints. It discovered that IRS approved tens of thousands of ITIN applications submitted using the same address. TIGTA found 154 addresses across the U.S. for which more than 1,000 ITINs had been issued.

In 2011, IRS sent 24,000 refunds totaling **46 million dollars** to a single address in Atlanta. It paid more than **9 million dollars** in refunds to filers of nearly 3,600 refund claims from 7 addresses. Among the charts in the Report is one showing the 10 addresses most commonly used for ITIN tax refunds. For 2011, these 10 addresses accounted for

- nearly 54,000 ITIN returns claiming refunds,
- totaling more than **86 million dollars** THAT WERE ISSUED.

TIGTA found that, notwithstanding that IRS had rejected prior ITIN applications using certain addresses, it approved dozens, and in one case more than 600, ITIN applications from five addresses, and issued 739 refunds totaling **1.8 million dollars** to those addresses. TIGTA's research also confirmed that ITINs were being used for purposes other

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than tax reporting. It found them listed in property and vehicle ownership records and in traffic violations histories.

Later that year, then Deputy Commissioner Steve Miller responded to Rep. Boustany's inquiry following up on the Inspector General's July report about ITINs, saying steps were being taken to address the deficiencies.

In 2013, the Inspector General reported that the IRS had not complied with an Executive Order to reduce improper payments. The Report concludes that from 2003 –2012, inclusive, IRS paid **122 billion dollars**, give or take 11 billion dollars in EITC in error. (Remember, this does not include ACTC paid in error.) Later that year, Sen. Sessions proposed an amendment to the budget bill to bar payment of ACTC on a tax return using an ITIN. Sen. Reid killed it.

Last year, 2014, the Inspector General issued a report entitled "Existing Compliance Processes Will Not Reduce The Billions Of Dollars In Improper Earned Income Tax Credit And Additional Child Tax Credit Payments." IRS is required by law to identify programs that present a high risk of fraud and to take action to prevent it. IRS identifies only EITC, and not ACTC, as high risk. The Inspector General concluded the two programs have similar risks of fraud, and estimated that between 25.2 and 30.5 percent – or **6.5 billion dollars**, give or take half a billion dollars - of the ACTC payments made for 2013 should not have been made. Similarly, **14.5 billion dollars** of EITC payments in 2013 were in error. For 2012, IRS paid out **63 billion dollars** in EITC and **26.6 billion dollars** in refundable ACTC.

Additional Relevant Data

On February 2 of this year, the Center for Immigration Studies, with information obtained under the Freedom of Information Act, reported that "more than 5.5 million new work permits were issued to aliens from 2009 to 2014, above and beyond the number of new green card and temporary worker admissions in those years."

At a Senate hearing on March 3, officials of the United States Citizenship and Immigration Services (USCIS) testified that their agency processed nearly seven million immigration-related applications during fiscal year 2014 alone. Daniel Renaud, Associate Director of USCIS Field Operations, also testified that people applying under the executive orders will receive even less scrutiny than the seven million rushed through the process last year.

Last week, the Inspector General for the Social Security Administration revealed that, notwithstanding that it has the mechanisms and a system for doing so, the agency has not removed from its active rolls the numbers assigned to at least 6.5 million people who were born more than 112 years ago. (As the oldest living American is 112 years old, the SSA IG supposes anyone born before that has died by now.) Just under 70,000 of these were reportedly used in income tax returns from 2006 to 2011.

SSA has issued 450 million numbers since the start of the program. Death apparently is the only event for which SSA will retire a social security number. SSA has no mechanism or

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system for revoking, terminating, or retiring the numbers it assigns to people who are only temporarily eligible for them, as is the case with persons in the U.S. with temporary work authorization. The DACA and DAPA actions are also supposed to be temporary, but will apparently result in a social security number permanently entitling its holder to various types of financial assistance courtesy of U.S. taxpayers.

Conclusion

The "deferred action" eligibility requirements do not include government confirmation that the applicant has neither filed for nor received, nor been party to requesting or receiving, tax or other federal benefits for which he is not eligible.

We know from experience that the actions upon which the Administration embarks are guaranteed to inflict substantial damage on tax administration and enforcement, and to drain even more billions of hard-earned dollars from the Federal Treasury than past follies are already costing, and continue to cost.

It is incumbent upon Congress to take all available steps to minimize what could otherwise be a raid on the Federal Treasury. Congress should clarify that refundable credits are not available to persons who entered the country illegally, or who entered legally, but overstayed. And it should require the Social Security Administration to keep track of, and to communicate with other relevant agencies concerning, social security numbers granted on the basis of temporary work permits.

Mr. DESANTIS. We have your written testimony. I see your time has expired, so thank you for that.

The Chair now recognizes Ms. Moussavian for 5 minutes.

STATEMENT OF AVIDEH MOUSSAVIAN

Ms. MOUSSAVIAN. Thank you.

Good afternoon, Chairman DeSantis and Chairman Jordan, Ranking Members Lynch and Cartwright, and members of the subcommittees. Thank you for the opportunity to appear before the subcommittees today.

My name is Avidéh Moussavian. I am an Economic Justice Policy Attorney at the National Immigration Law Center, an organization dedicated to ensuring that all Americans, regardless of how much money they have or where they were born, have the tools they need to achieve their full human potential.

I am also the daughter of Iranian immigrants who are proud to have raised four American children and to call this Country their home.

Last November, President Obama announced policy changes that will allow parents of Americans and people who came here in their childhood to apply for temporary relief from deportation and work authorization.

The application process, which includes a \$465 fee and an extensive criminal background check, would allow immigrants with deep ties to this Country to contribute more fully to our economy and to our communities.

These initiatives are an important first step toward fixing parts of our broken immigration system. The economic benefits of these initiatives are profound.

Deferred action for parents of American, DAPA, and expanded deferred action for childhood arrivals, DACA, will provide a natural economic stimulus for everyone. Both the Congressional Budget Office and the Joint Committee on Taxation estimate that DAPA and expanded DACA recipients would generate \$18.9 billion in revenues in the next 10 years.

Conversely, they estimated that not implementing these policies would severely harm the Federal budget and increase the Federal deficit by over \$6.3 billion in that same 10 year period. Beyond payroll and income taxes, the Council of Economic Advisors estimates that the November 2014 deferred action initiatives will collectively increase our Nation's gross domestic product in the next 10 years by \$90-\$210 billion.

Although immigrants who qualify for DAPA and expanded DACA pay taxes, they are nevertheless excluded from many economic supports. They are unable to purchase health insurance, even at full cost, in State or federally run health exchanges as acknowledged by my co-panelist. They are also excluded from programs such as temporary assistance for needy families, SNAP and Federal Medicaid, among others.

As taxpayers, however, those with a Social Security number are subject to the same rights and responsibilities as every other taxpayer and for good reason. Our tax structure should encourage and facilitate all workers, regardless of their immigration status, to submit their taxes in a timely fashion.

It is a longstanding Federal tax principle that the same rules apply to all taxpayers who are working lawfully in the United States. This includes access to certain earned economic support like the earned income tax credit.

While we may disagree on the President's executive actions, we need to protect the integrity of our tax system.

The impact that DAPA and expanded DACA will have on all of our communities extends beyond dollars and cents. Once DAPA and expanded DACA begin to take effect, millions of aspiring Americans redouble their investment in this Country. These actions will make our communities safer, more prosperous and better integrated in ways that simply cannot be calculated.

Once implemented, these immigration initiatives will have a life changing impact on the parents and young immigrants eligible to apply. A good example is Maria from Orange County, California.

Maria is the proud mother of five children, including a son and a daughter who are U.S. citizens and one child who is a recipient of DACA and attending college today. She came to the United States 19 years ago to escape domestic violence and poverty in Mexico. She supports her family as a waitress.

DAPA would allow Maria and her family members, who are undocumented, to apply for deferred action and work permits. It would also allow them to be paid fair wages and contribute as taxpayers, while striving for greater educational and job opportunities to reach their full potential.

Maria and her family, including a nephew who is a U.S. military veteran, are proud Americans. They are just one example of why the deferred action initiatives are an important opportunity for our Nation to make a smart, long term investment in our shared economic prosperity.

I thank you for the opportunity to testify before you today. I look forward to answering any questions you may have.

[Prepared Statement of Ms. Moussavian follows:]

Introduction

Chairmen DeSantis and Jordan, Ranking Members Lynch and Cartwright, and members of the subcommittees:

Thank you for the opportunity to appear before the committee today and provide testimony on behalf of the National Immigration Law Center (NILC).

I am Avidah Moussavian, Economic Justice Policy Attorney at the National Immigration Law Center, the primary organization in the United States exclusively dedicated to defending and advancing the rights and opportunities of low-income immigrants. At NILC, we believe that all people who live in the United States – regardless of their race, gender, immigration, and/or economic status – should have the opportunity to achieve their full human potential. Over the past thirty five years, NILC has won landmark legal decisions protecting fundamental human and civil rights and successfully advocated for federal and state policies that reinforce our nation’s values of equality and justice for all.

NILC utilizes a core set of integrated strategies – litigation, advocacy, and strategic communications – to focus on key program areas that affect the lives and well-being of low-income immigrants and their families, including: access to justice, education, healthcare and economic opportunities, and immigration reform. We also conduct trainings, publish educational materials, and provide legal counsel and strategic advice to inform a wide range of audiences about complex legal and policy matters affecting immigrants and to help strengthen other groups’ advocacy work.

In the absence of comprehensive immigration reform, the president’s Immigrant Accountability Executive Actions, announced on November 20, 2014, represent a much-needed first step toward restoring fairness and order to a system that everyone agrees is broken. Parents will be able to more fully contribute to their local economies and communities, which will help their children thrive. There will be increased workplace fairness as the economic incentive for unscrupulous employers to hire undocumented workers will have been removed. Fewer workers will be subjected to abuse by employers who retaliate against them for lack of work authorization. This will, in turn, benefit American workers as working conditions for all workers will improve.

While Deferred Action for Parents of Americans and lawful permanent residents (DAPA) and expanded Deferred Action for Childhood Arrivals (DACA) are not legalization programs and only provide a temporary reprieve from deportation, one cannot underestimate the significant impact this policy change will have on the estimated 4.4 million individuals who might qualify and on our country. Most importantly, this will lift the traumatic and paralyzing experience of living in fear of deportation that has robbed individuals with deep ties to our country of their humanity and dignity – a fear magnified in recent years by record deportations.

DAPA and expanded DACA will allow longstanding community members to apply for protection against deportation and work authorization so that they can continue to make meaningful contributions. Those applying will be required to complete a full

background check at their own expense, an action that will enhance our national security while also injecting positive economic growth in our local, state and national economies. These executive actions promote our nation's values by doing both what is morally right for our country as well as advancing our shared economic prosperity.

I. Deferred Action and economic benefits of issuing work permits and SSNs

a. Overview of DAPA and expanded DACA

On November 20, 2014, President Obama announced the Immigrant Accountability Executive Actions, which amount to significant immigration policy changes aimed at bringing about fairness and accountability to a dysfunctional immigration system. Among other new policy directives, the Department of Homeland Security (DHS) will "implement a new department-wide enforcement and removal policy that places top priority on national security threats, convicted felons, gang members, and illegal entrants apprehended at the border."¹ The plan is comprehensive in that it establishes these more targeted border and interior enforcement priorities, among other policy changes, though much of the public debate is focused on DAPA and expanded DACA.

Under the new DAPA initiative, individuals who have been continuously residing in the United States since January 1, 2010 and who can establish they are the parents of a United States citizen or lawful permanent resident, will be able to come forward and affirmatively apply for a temporary reprieve from deportation. If after an adjudication conducted on a case-by-case basis, including a national security and criminal background check, DHS determines that the individual meets the criteria and merits a grant of deferred action, she will be able to also obtain an Employment Authorization Document if she has an economic necessity for it.

While these two particular elements of the president's actions are currently subject to litigation, legal experts across the country agree that they rest on solid legal ground, and that their implementation should be allowed to proceed.² Our family members, friends, and loved ones look forward to taking part in these critical initiatives so that they can finally go about their daily lives knowing they can pay more taxes, work, and remain united with their family members in this country without the fear of deportation.

These immigration directives will allow even more individuals to engage in steady employment, contributing to our gross domestic product (GDP) and our tax base. Better working conditions for non-citizen workers who will now be able to pursue healthy work environments means American workers will also be treated more fairly by employers, and wages for everyone will rise. Employers who have employed immigrant workers for decades, investing in their workforce and providing training, will now have made a secure investment in workers who are able to remain in the United States Moving

¹ Memo from Jeh Charles Johnson, Secretary, "Policies for the Apprehension, Detention and Removal of Undocumented Immigrants," November 20, 2014.

² Preliminary Injunction Ruling Halting Expanded Deferred Action Program "Deeply Flawed" Legally, <http://lawprofessors.typepad.com/immigration/2015/03/law-professors-preliminary-injunction-ruling-halting-expanded-deferred-action-program-deeply-flawed-.html>.

workers from the informal economy to the formal economy will ensure that America's competitiveness, GDP and tax base continues to grow. Moreover, the president's immigration initiatives included important policy changes to allow businesses to more easily retain high-skilled talent. Finally, the actions included important provisions to allow entrepreneurs grow new businesses in the United States.³

b. Current contributions

i. Immigrant contributions to the workforce

More than eight million undocumented workers compose a crucial component of our national workforce. Many of them perform important low-wage work in a wide range of industries that strengthens our economy and improves our quality of life. They harvest and prepare the food that we eat. They build and clean our homes and businesses. They sustain our domestic manufacturing. They care for our children.⁴ The American Action Forum estimates a loss of 5.7% in Real GDP (\$1.6 trillion) if undocumented immigrants were removed from our country.⁵

The modern American workforce is dynamic and immigrants play a complementary role within it, sustaining and helping to create improved job opportunities for the native-born. Economists examining recent United States regional and national economies have found that immigrant workers stimulate an overall average wage increase of 0.6% for native-born workers. They find overall average wage benefits for native-born workers across education and skill levels.⁶ Diverse community leaders nationwide further recognize that immigrants create jobs for the native-born though their consumption of goods and services.⁷

ii. Tax contributions of non-citizen workers

Undocumented workers perform some of the most essential jobs that makes up the backbone of our economy and make significant tax contributions at every level. These tax contributions include local, state and federal income taxes, as well as payroll taxes that bolster our Social Security and Medicare systems. A January 2015 Congressional Budget Office (CBO) report cited two studies that estimate that over 50% of unauthorized immigrant workers pay income taxes and payroll taxes.⁸ In 2010 alone,

³ Memo from Leon Rodriguez, Director, U.S. Citizenship and Immigration Services, "Policies Supporting U.S. High-Skilled Businesses and Workers," November 20, 2014.

⁴ Jeffery S. Passel and D'Vera Cohn, "Unauthorized Immigrant Totals Rise in 7 States, Fall in 14," Pew Research Center, 18 November 2014; <http://www.migrationpolicy.org/programs/data-hub/state-immigration-data-profiles>

⁵ Ben Gitis and Laura Collins, *The Budgetary and Economic Costs of Addressing Unauthorized Immigration: Alternative Strategies*, 6 March 2015.

⁶ G. I. P. Ottaviano, and G. Peri, "Rethinking the Effect of Immigration on Wages." *Journal of the European Economic Association*, 10, February 2012, 152-197; Gianmarco I.P. Ottaviano, Giovanni Peri, and Greg C. Wright, "Immigration, Offshoring, and American Jobs," Centre for Economic Performance Discussion Paper No 1147, May 2012; Giovanni Peri, "The Effect of Immigrants on U.S. Employment and Productivity," Federal Reserve Bank of San Francisco Economic Letter, 2010-26, 30 August 2010.

⁷ <http://www.welcomingamerica.org/>

⁸ Congressional Budget Office, "How Changes in Immigration Policy Might Affect the Federal Budget" (January 2015), , at p. 16, fn 34, citing Economic Report of the President, 2005 (February 2005), Chapter 4, p. 107, <http://tinyurl.com/e9kdark>; Social Security Administration, Office of the Chief Actuary, "Letter to Senator Richard

these workers contributed \$13 billion to the Social Security trust funds⁹ and \$10.6 billion in state and local taxes.¹⁰ Most of these contributions will never be recouped: many of these workers may never be eligible to collect these earned benefits that were intended to protect them and their families upon the retirement, serious disability or death of a wage earner. These are workers who are playing by the rules by paying their fair share into a system that may give them nothing in return.

Individual Taxpayer Identification Number (ITIN) filing statistics further show the contributions of undocumented workers. Any individual – including both undocumented as well as lawfully present immigrants – who earns income in the United States is still required to report that income to the federal government. The Internal Revenue Service (IRS) created the ITIN to ensure that all wage earners who are not eligible for a Social Security Number, regardless of their immigration status, can comply with tax laws. Since the creation of the ITIN program in 1996, undocumented workers have been able to make enormous contributions in federal income taxes. According to the Treasury Inspector General for Tax Administration (TIGTA), in tax year 2010, over 3 million federal tax returns were filed with ITINs, which accounted for over \$870 million in federal income taxes.¹¹

c. Overall economic benefits of deferred action

DAPA and expanded DACA will only serve to increase the economic contributions of immigrant workers by providing them with work authorization. When immigrants are able to work lawfully, they can better protect themselves from wage theft and other workplace abuses. They will also be able to move freely across the labor market, and find work that matches their skills.

Both the CBO and Joint Committee on Taxation (JCT) estimated that DAPA and expanded DACA would generate \$18.9 billion in revenues over the 2015-2025 period. Conversely, they estimated that not implementing DAPA and expanded DACA would severely harm the federal budget, increasing the federal deficit by over \$6.3 billion over this same period. This assessment was based on the impact of the costs associated with changes to eligibility and program participation, as well as new revenues from higher wages and a larger tax base. In addition to these net fiscal benefits, the deferred action programs will yield other positive economic effects such as increased productivity of

J. Durbin" (June 5, 2007). Also see Alice H. Wade and others, "Projections of Immigration for the 2008 Social Security Trustees Report," Actuarial Note 148 (Social Security Administration, Office of the Chief Actuary, March 2009), <http://go.usa.gov/BaRG>.

⁹ Institute on Taxation and Economic Policy, "Undocumented Immigrants' State and Local Tax Contributions" July 2013, <http://www.itep.org/pdf/undocumentedtaxes.pdf>.

¹⁰ Stephen Goss Alice Wade and others, "Effects of Unauthorized Immigration on the Actuarial Status of the Social Security Trust Funds," Actuarial Note No. 151, Office of the Chief Actuary, Social Security Administration, April 2013, http://www.socialsecurity.gov/OACT/NOTES/pdf_notes/note151.pdf.

¹¹ Treasury Inspector General for Tax Administration, "Recovery Act: Individuals Who Are Not Authorized to Work in the United States Were Paid \$4.2 Billion in Refundable Credits," Ref. No. 2011-41-061, July 7, 2011, <http://www.treasury.gov/tigta/auditreports/2011reports/201141061fr.pdf>, appendix IV, table 1, p. 20.

labor and capital, increased educational attainment, income, earnings and tax payments.¹²

i. Increased Social Security contributions

The CBO and JCT also estimated that, out of the overall net tax revenues that DAPA and expanded DACA would generate, an estimated \$14.5 billion over the 2015-2025 period is from increased Social Security contributions alone, as workers and employers get on the books, earn higher wages and pay taxes.¹³ Given that the noncitizen population in the United States is significantly younger and much more likely to be of working age than the citizen population, they are also much less likely to need Social Security or Medicare for decades to come.¹⁴

ii. Increased local and state taxes

Individual states will experience similar tax gains for the same reasons. For example, the Center for American Progress (CAP) estimates that, over five years, expanding deferred action will lead to increases in tax revenues in Texas and California by \$338 million and \$904 million, respectively.¹⁵ Georgia and Arizona's tax revenues are estimated to grow by \$190 million¹⁶ and \$100 million.¹⁷ Other states would similarly experience boosts to their tax revenues, with Florida, Pennsylvania and Ohio estimated to see \$102 million, \$75 million, and \$41 million, respectively, in tax revenue. While DAPA and expanded DACA are only available to part of the undocumented population, there are estimates that allowing undocumented immigrants to work in the United States legally would increase their state and local tax contributions by approximately \$2 billion a year.¹⁸

iii. Positive impact on GDP

The economic benefits go beyond payroll and income taxes. The Council of Economic Advisors estimates that, in the next ten years, President Obama's November 2014 immigration executive actions will collectively increase the country's Gross Domestic Product by \$90-\$210 billion, cut the federal deficit by \$25-\$60 billion through increased economic growth, and raise average wages for U.S.-born workers by 0.3%, without any adverse impact on the employment rates or wages of U.S.-born workers.¹⁹

These collective economic benefits are still not as robust as those predicted under the immigration reform bill passed by the Senate last year (S. 744), which would have raised the GDP by more than 5.4 percent over the next 20 years and reduced the deficit by \$832 billion. They are also not, however, theoretical benefits. The 2012 DACA process,

¹² Letter from Congressional Budget Office Director Douglas W. Elmendorf to Senator Susan Collins, "Re: Budgetary Effects of S. 534, the Immigration Rule of Law Act of 2015, as introduced on February 23, 2015," (February 26, 2015), <https://www.cbo.gov/sites/default/files/cbofiles/attachments/s534Collins.pdf>.

¹³ *Id.*, at p. 3, change in revenue from Social Security Taxes in fiscal years 2015-2025.

¹⁴ See fn 8, Congressional Budget Office report, at pp. 7-10.

¹⁵

¹⁶ <http://www.scribd.com/doc/247296797/Economic-Benefits-of-Executive-Action-in-Georgia>

¹⁷ <http://www.scribd.com/doc/247296794/Economic-Benefits-of-Executive-Action-in-Arizona>

¹⁸ Institute on Taxation and Economic Policy, "Undocumented Immigrants' State and Local Tax Contributions" July 2013, <http://www.itcp.org/pdf/undocumentedtaxes.pdf>.

¹⁹

https://www.whitehouse.gov/sites/default/files/docs/cea_2014_economic_effects_of_immigration_executive_action.pdf

implemented less than three years ago, has indisputably proven that access to work authorization directly enhances the economic contributions of deferred action recipients. Within two years of DACA's rollout, 70% of recipients reported obtaining their first job or starting a new one; 45% reported higher earnings; 50% opened their first bank account; and 21% enrolled in health insurance.²⁰

d. Public safety benefits

i. Issuance of driver's licenses and associated benefits

DAPA and expanded DACA will also improve public safety as immigrants will be eligible to obtain driver's licenses and trust between law enforcement and local immigrant communities will be restored.

Deferred action recipients will be eligible for driver's licenses in most states. States that have broadened immigrant eligibility for driver's licenses to date have seen improvements in traffic safety, as unlicensed drivers are five times more likely to be involved in a fatal crash and ten times more likely to leave the scene of a hit and run. They have also seen declines in auto insurance rates, as rates fall for all policyholders when more motorists are licensed and insured. Insurance commissioners, law enforcement leaders, and immigrants alike support allowing all residents to apply for licenses, and for good reason: Making sure each driver is trained and tested, licensed and insured, improves highway safety for everyone. Law enforcement leaders in particular have supported DAPA, DACA (and its expansion), and expanded access to driver's licenses as a form of identification they can rely on in their daily service activities.²¹

ii. Cooperation with law enforcement

Deferred action will reduce critical barriers of fear currently preventing many immigrants and their loved ones from reporting crimes and serving as witnesses in criminal investigations. Surveys highlight pervasive community fear of police entanglement in immigration law enforcement that deters full law enforcement cooperation. In 2013, a University of Illinois researcher found that 44% of Latinos and 70% of undocumented Latinos in major cities would be less likely to report that were a victim of a crime if they feared it would lead to immigration status inquiries.²² For this reason, many law enforcement leaders and associations, including the Major Cities Chiefs Association, oppose state and local immigration law enforcement entanglement. Reducing fears of deportation of community members will benefit public safety in the interest of everyone.²³

²⁰ <https://www.americanprogress.org/issues/immigration/report/2014/11/19/101868/how-daca-has-improved-the-lives-of-undocumented-young-people/>

²¹ <http://www.nilc.org/driverlicenses.html>; "NILC Lauds Police Chiefs Legal Defense of Administration Deferred Action Initiatives," 12 January 2015, <http://www.nilc.org/nr011215.html>

²² Nik Theodore, *Insecure Communities: Latino Perceptions of Police Involvement in Immigration Enforcement* (Dept. of Urban Planning and Policy, Univ. of Illinois at Chicago, May 2013).

²³ <http://www.nilc.org/policechiefs.html> ;

II. DAPA and DACA: eligibility for economic supports

a. Extremely limited access to federal means-tested public benefits

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) denies DACA and DAPA recipients access to all of the major federal health care and public benefit programs that are based on income. They are not eligible for federally funded Medicaid, the Children's Health Insurance Program (CHIP),²⁴ the Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps), Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), HUD public housing or Section 8, federal financial aid for college, or most other federal public benefits. Individuals granted deferred action under DACA are ineligible for federal tax subsidies for health care, and are barred from purchasing coverage through the Affordable Care Act's health insurance marketplaces, *even at full cost*.²⁵ In states that implement a Basic Health Program, DACA grantees would be ineligible. If otherwise eligible, DACA grantees can receive services that are available regardless of immigration status, such as emergency Medicaid (which includes labor and delivery care), Women, Infants, and Children (WIC), health care provided by Federally Qualified Health Centers (FQHCs) and other community clinics, and services necessary to protect life or safety, such as shelters for survivors of domestic violence or homeless persons, soup kitchens, in-kind disaster-related assistance and other essential services. In other words, a grant of DACA or DAPA does not make a person eligible for services that he or she would otherwise not be able to obtain.

b. Eligibility for tax credits

i. Tax credits as effective anti-poverty programs

The Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) are earned programs that are entirely different from income-based federal public benefits. Indeed, they were specifically designed to encourage and reward work as an alternative to public economic security programs. Both the EITC and CTC are available only to working, tax-paying families. They have a long-standing record of combatting poverty and creating a positive economic multiplier effect for the entire community.

The EITC and CTC support millions of low-income working families each year and have allowed young children and families to make ends meet. Studies have shown that children in families receiving the credit are more likely to succeed in school, attend college and have a better chance of increased earnings and contributions as they join the ranks of our next generation's workforce.

²⁴ Despite their lawful presence in the U.S., DACA grantees were excluded from Medicaid and CHIP eligibility under the state option to cover lawfully residing children and pregnant women. Children and pregnant women granted deferred action on other grounds (such as individuals with approved self-petitions under the Violence Against Women Act) remain eligible under this option. See Center for Medicaid and CHIP Services, State Health Officials Letter SHO# 12-002 (Aug. 28, 2012) at <http://www.medicaid.gov/Federal-Policy-Guidance/Downloads/S110-12-002.pdf>.

²⁵ 45 C.F.R. 152.2(8).

Workers who receive these vital tax credits inject the money directly into goods and services, directly boosting their local economies while also providing a boon to the Social Security Trust funds. These tax credits help families move off the economic sidelines to be able to be more productive and contributing members of their communities. They make an extraordinary difference in the lives of the working families who receive them. 74% of households receiving the EITC earn less than \$25,000 per year, while over 50% of families receiving the refundable portion of the CTC earn less than \$20,000 per year. These vital tax credits help keep the lights on and food on the table for working families living at or below poverty.

ii. CTC

The CTC and its refundable portion, the Additional Child Tax Credit (ACTC) are enormously effective anti-poverty programs that have helped save millions of U.S. citizen children from falling deeper into poverty. Families are eligible whether they file their taxes with an SSN or an ITIN. Therefore, DACA and DAPA do not provide any change in eligibility for the CTC/ACTC. In fact, many of these individuals may become ineligible for this credit if their income goes up as a result of obtaining work authorization.

iii. EITC

The EITC is an integral part of the tax code and was established to lessen the heavy tax burdens on low-income working families. It was designed to offset other regressive federal taxes and to make up for some of the erosion in the minimum wage.

Because DAPA and DACA grantees with work permits are eligible to apply for SSNs, some deferred action recipients may become eligible to apply for the EITC. These workers would be treated like all other taxpayers who file federal income taxes with a SSN.

Not all DAPA and DACA grantees, however, will be eligible to claim the EITC. The tax filer, spouse and qualifying children must all have an SSN in order to be eligible for the EITC. In addition, the tax filer must meet several strict eligibility criteria based on income, family size, and filing status, and any qualifying child must meet tests for relationship, age, residency and joint returns.²⁶ Workers without minor children may also qualify for the EITC, but for a much smaller amount.

Furthermore, the increases in wages for newly legalized workers would result in fewer DAPA and DACA recipients being eligible for the EITC either immediately or shortly after obtaining work authorization. This is partly due to the fact that, as the CBO notes, “the EITC has the most stringent requirements for noncitizens. Over time, workers who earn more would eventually become ineligible for the EITC.”²⁷

²⁶ <http://www.irs.gov/uac/Newsroom/Earned-Income-Tax-Credit-Do-I-Qualify>

²⁷ Congressional Budget Office, “How Changes in Immigration Policy Might Affect the Federal Budget” (January 2015), <https://www.cbo.gov/sites/default/files/cbofiles/attachments/49868-Immigration4.pdf>.

EITC eligibility to DAPA and DACA grantees with valid SSNs directly benefits millions of children – most of whom are U.S. citizens – and their families who have lived and worked in the United States for more than 5 years. In fact, 95% of those potentially eligible for DAPA are parents of U.S. citizens.²⁸

c. Limited access to Social Security and Medicare under DAPA/DACA

Social Security and Medicare are earned benefits funded through workers' payroll taxes. They are based on the credits earned from the taxes paid and work performed in the United States. Most often, taxpayers need to contribute into 40 qualifying quarters (10 years) of work through payroll taxes in order to be eligible for Social Security retirement and disability benefits and Medicare. Even then, workers can only apply for Social Security payments only if they are in a lawful status, have sufficient work history, and are retirement age or have a qualifying disability.

Because DAPA and expanded DACA grantees will only receive access to work authorization for three-year periods, they will not be entitled to Social Security or Medicare benefits automatically. Furthermore, according to the CBO, most prospective grantees are decades away from retirement age. Because of the temporary nature of these programs, there is no guarantee that DAPA and DACA recipients will maintain their lawful presence long enough to ever access these benefits that they will have accrued and earned through years of hard work.

III. Impact of proposals to limit or deny access to EITC

a. Dangers of a two-tiered tax system

Some opponents of DAPA and expanded DACA, have unfortunately distorted the facts of the EITC's long-standing track-record in promoting work and meaningfully fighting poverty. Denying DACA and DAPA grantees with SSNs eligibility for the retroactive or future EITC claims would create a two-tier tax code. It would establish a dangerous precedent where some workers are taxed more harshly than other workers in similar circumstances. It would also violate the longstanding federal tax principle of applying the same rules to everyone who works lawfully in the U. S. These workers would effectively be taxed at much higher rates than other workers with the same family situations and incomes.

b. Chilling effect of discriminatory treatment and privacy concerns

Segregating some lawfully present workers with SSNs from certain benefits under our tax code would also create a dangerous chilling effect on all taxpayers. This is because such segregation would require sharing of information among the DHS, SSA, and the IRS. Confidentiality of personal information is a hallmark of agencies like the IRS and

²⁸ Migration Policy Institute press release, "As Many as 3.7 Million Unauthorized Immigrants Could Get Relief from Deportation under Anticipated New Deferred Action Program" (November 19, 2014).

SSA. These agencies have strictly protected the data they collect for decades, and the success of their work depends on the trust that people have in these agencies.

The IRS, in particular, has always been clear that its mandate is to enforce our nation's tax laws, not our immigration laws, and that it abides by strict confidentiality rules in order to ensure that all workers, regardless of their immigration status, are able to comply with their federal tax obligations without fear of sensitive information being disclosed to other agencies. Indeed, confidentiality of taxpayer information is the pillar of the American tax system, as it promotes the voluntary disclosure upon which the system is built. Our tax code recognizes this and has long guaranteed that the IRS will maintain the confidentiality of taxpayer information.²⁹

Any discriminatory treatment of certain taxpayers would erode the trust that all taxpayers expect when providing confidential information to the IRS and undermine Americans' reliance on the confidentiality of social security account, tax and earnings reports. Furthermore, not all agencies have similar methods or comparable track records for protecting sensitive, personally-identifying information. Entrusting DHS with vulnerable information from multiple agencies with differing levels of security could jeopardize the security of personal data. Dangerously stockpiling information is not the way to fix our dysfunctional immigration system.

c. Economic impact of errors

Information sharing discourages reporting of earnings information and promotes work "off the books." One of the primary purposes of the SSA's and IRS's confidentiality mandates is to encourage workers to report earnings to the SSA and to file tax returns and to pay taxes on income. Information sharing requirements will have the opposite effect, as individuals who would otherwise have reported their income and paid taxes will instead enter the cash economy. This will not only deprive the federal government of much-needed revenue, but it will give unscrupulous employers a competitive advantage over law-abiding businesses.

Indeed, the IRS has affirmed that individuals are less likely to file their taxes accurately and completely if their information will be used for immigration enforcement purposes. The IRS Commissioner has stated that "any sharing of confidential taxpayer information, directly or indirectly, with immigration authorities would have a chilling effect on efforts to bring ITIN holders, and potential ITIN holders, into the U.S. tax system."³⁰ Similarly, targeting certain SSN filers will have the same chilling effect.

²⁹ 26 U.S.C. § 6103.

³⁰ Testimony of Internal Revenue Service Commissioner Mark W. Everson before the Subcommittee on Oversight of the House Ways and Means Committee, March 10, 2004.

d. Discriminating against certain SSN taxpayers is an unrealistic mandate for the IRS

Limiting access to the EITC for DAPA or DACA recipients would invite discriminatory treatment of taxpayers, create severe economic harm, and pose severe privacy threats. It would also present the IRS with an overly burdensome and unrealistic mandate for enforcing the rules of an already complicated tax credit. The IRS is already operating under an extremely constrained budget.³¹ Creating harmful two-tiered systems within a tax credit program will only further hamper the IRS' mission and invite errors that will bog down the agency in extra work. Distinguishing eligible versus ineligible SSN tax filers places an unrealistic, untenable and costly burden on the IRS.

IV. Deferred Action is a crucial step in the right direction

a. The human cost of heavy enforcement without comprehensive immigration reform

Americans who care deeply about civil rights and civil liberties have criticized the Obama administration for the aggressive detention and deportation policies which have been well documented in the Migration Policy Institute's *Immigration Enforcement in the United States: The Rise of a Formidable Machinery* report.³² Spending for the federal government's two main immigration enforcement agencies surpassed \$17.9 billion in fiscal year 2012. This figure exceeded total spending for the FBI, Drug Enforcement Administration, Secret Service, U.S. Marshalls Services, and Bureau of Alcohol, Tobacco, Firearms, and Explosives combined and is 15 times the spending level of the Immigration and Naturalization Service when the Immigration Reform and Control Act was passed in 1986.³³

Despite the dramatic increase in funding for immigration enforcement, the nation's laws have not been updated to address failing aspects of the nation's immigration system. Although there have been several attempts to pass comprehensive immigration reform, America's system has not been significantly updated in over twenty years. This has led to a situation where our nation focuses solely on detention and deportation rather than addressing the system as a whole.

The number of immigrants detained and deported by immigration authorities has reached historic highs in recent years, at a time when overall migration to the United States has decreased. Since 2009, nearly 400,000 people have been deported each year, compared with just 189,000 in 2001. In early 2014, the number of individuals removed

³¹ National Taxpayer Advocate, 2013 Annual Report to Congress, MSP #2, "IRS Budget: The IRS Desperately Needs More Funding to Serve Taxpayers and Increase Voluntary Compliance," <http://www.taxpayeradvocate.irs.gov/2013-Annual-Report/downloads/IRS-BUDGET-The-IRS-Desperately-Needs-More-Funding-to-Serve-Taxpayers-and-Increase-Voluntary-Compliance.pdf>.

³² Meissner, Doris; Kerwin, Donald; Chisti, Muzaffar and Bergeron, Claire, "Immigration Enforcement in the United States," Migration Policy Institute, January 2013.

³³ *Id.* at 2.

from the United States thus far under the Obama administration surpassed two million.³⁴

Significant numbers of U.S. citizen children are impacted by these enforcement activities. Data from DHS reveals that 72,410 parents of U.S. citizen children were removed in 2013.³⁵ This data only reflects those parents who reported having U.S. citizen children and therefore fails to account for those individuals who did not voluntarily report parental status out of fear that they would lose their children. Using deportation data, researchers estimate that at least 152,000 U.S. citizen children experience the deportation of a parent each year.³⁶ Children suffer immensely when a parent is arrested or deported, facing years of separation, decreased economic support, and social and psychological trauma. For some, the trauma of separation can have even more devastating consequences: as of 2011, 5,100 children were living in our foster care system due to their parents' detention or deportation.³⁷

b. Alternatives to executive action and comprehensive reform are costly and unrealistic

Opponents of the president's actions have not presented a viable alternative to address this untenable status-quo. Should we continue along the enforcement-only path of criminalization and record deportations? Or pursue the self-deportation policies of Arizona and Maricopa County Sheriff Joe Arpaio? Some say "enforce the law," but they ignore the fact that deporting all undocumented immigrants would have severe economic and human costs.

One example of these costs is what would happen to Maria, the proud mother of five children, including a son and daughter who are U.S. citizens, and one child who is a DACA recipient and is attending college. She came to the United States 19 years ago to escape domestic violence and poverty that enveloped her and her young children in Mexico. While struggling to support her family as a waitress, she and her family live in fear of deportation. DAPA would greatly benefit Maria and her children, allow family members who are undocumented to get work permits, be paid fair wages while striving for greater education and job opportunities to reach their full potential. Maria and her family -- including a nephew who is a military veteran -- consider themselves proud Americans. Maria and her family are long-time residents of Orange County, CA.

³⁴ Caplan-Bricker, Nora, *The New Republic*, "Who's the Real Deporter-in-Chief, Bush or Obama?" April 17, 2014. ICE Press Release. (December 18, 2013) FY2013: ICE announces year-end removal numbers. Retrieved from <https://www.ice.gov/news/releases/1312/131219washingtondc.htm>; Print edition. (2014, February 8). *The Great Expulsion: Barack Obama has presided over one of the largest peacetime outflows of people in America's history. The Economist*. Retrieved from <http://www.economist.com/news/briefing/21595892-barack-obama-has-presided-over-one-largest-peacetime-outflows-people-america>.

³⁵ Foley, E. "Deportation Separated Thousands of U.S. Citizen Children from Parents in 2013." *Huffington Post*, June 25, 2014.

³⁶ Farhang, Lili; Heller, Jonathan; Ilu, Alice; and Satinsky, Sara. "Family Unity, Family Health: How Family-Focused Immigration Reform Will Mean Better Health for Children and Families," June 3, 2013 at i.

³⁷ Shattered Families: The Perilous Intersection of Immigration Enforcement and the Child Welfare System, Race Forward, the Center for Social Justice Innovation, November 2, 2011.

V. Conclusion

The president's executive actions, while much needed, are only a first step in resolving a complex problem. DAPA and expanded DACA, as outlined by the Obama administration, do not lead to permanent residence or a road to citizenship. These deferred action processes will have clear, defined limits with strict cut-off dates and eligibility criteria. There is no adjustment of status process, only a deferral of deportation. The only way to fix the broken immigration system once and for all is for Congress to pass and the President to sign comprehensive immigration reform legislation.

In just under three years, we have already seen the powerful and positive economic impact of President Obama's the 2012 DACA process. Numerous studies have shown that the program is an undeniable success. Young adults who participated in DACA are more integrated into the nation's economic and social institutions.³⁸ DACA beneficiaries work at levels comparable to or higher than their peers. 45 percent of DACA beneficiaries have increased their earnings.³⁹ Before DACA, their ability to pursue a career and educational opportunities was severely limited.⁴⁰ Additionally, work permits allow this population to better provide for themselves and their families and pay taxes.

The benefits of the DACA program will only be magnified with DAPA and expanded DACA. We commend the president for creating these new deferred action processes and for recognizing the essential role that deferred action has in keeping families together stimulating our economy, and strengthening our national security.

We at the National Immigration Law Center look forward to working with members of this committee and others in Congress to make that a reality. Thank you again for the opportunity to testify today. I look forward to answering any questions you may have.

³⁸ Immigration Policy Center, "Two Years and Counting: Assessing the Growing Power of DACA," June 2014, p. 2.

³⁹ *Id.* at p. 5.

⁴⁰ *Id.*

Mr. DESANTIS. Thank you.

The Chair now recognizes himself for 5 minutes.

Mr. Rector, is it your understanding that an illegal immigrant who is amnestied by the President's executive actions will be able to file retroactive tax returns for 3 years?

Mr. RECTOR. That is correct.

Mr. DESANTIS. They would be able to claim the earned income tax credit, the additional child tax credit for work they performed that was illegal when they performed it?

Mr. RECTOR. Yes, although they don't even really have to do that because in order to get those two credits, all they have to do is assert they performed the work. The IRS does not actually check that and if you look at the IRS' own documents, they show that 25 percent of all EITC payments, close to \$20 billion a year, are fraudulent on the basis of people claiming they did certain work they probably never performed at all.

All they would have to do is assert that they performed certain amounts of work and they would be able to get the refundable EITC and ACTC. I calculate if they did it without a lot of fraud, it would still cost around \$20 billion retroactively.

Mr. DESANTIS. Ms. O'Connor, apart from the executive actions on illegal immigration, the IRS does pay out a substantial amount in fraudulent refundable credits generally, correct?

Ms. O'CONNOR. Right, the program is fraught with fraud.

Mr. DESANTIS. Of all the programs, I think this has to be one of the highest fraud rates across the entire Federal Government. In 2011, TIGTA recommended the IRS require additional documentation to support claims of child tax credits in particular. Did the IRS implement that recommendation?

Ms. O'CONNOR. No, the IRS says that it is not authorized to ask for documentation during the return processing period, that it is only if they select a return for examination that they can ask for documentation justifying the credit.

Mr. DESANTIS. Has the IRS taken any steps to reduce the amount of fraud in refundable tax credits?

Ms. O'CONNOR. As I mentioned in my testimony, every year the Treasury Inspector General for Tax Administration gives the Internal Revenue Service a number of recommendations. The IRS does follow many of them but the rate of fraud continues to increase. It went up 23 percent from 2013 to 2014, as a matter of fact, according to a GAO report issued just yesterday.

Mr. DESANTIS. Do you know how much refundable credit fraud can be traced to individuals who are not authorized to work but nevertheless are working in the United States?

Ms. O'CONNOR. I do not.

Mr. DESANTIS. Do you, Dr. Camarota?

Dr. CAMAROTA. Yes. In 2011, the Inspector General said \$4.3 billion for the ACTC went out to people who were not authorized to work in the United States. They know that from auditing the records of people getting that money without Social Security numbers but did use an ITIN. That is how they know it.

Mr. DESANTIS. What would be the easiest way for Congress to address this? If we said these refundable tax credits are on the

books but we want them to go to people who are legally working, what would we need to do to reduce the fraud?

Mr. CAMAROTA. Require documentation for both the income and require valid Social Security numbers. It would be a common sense step and not keep paying them out.

Ms. O'CONNOR. And require the Internal Revenue Service to verify the eligibility for the credit before they pay them out. That is the problem. They pay them out first without checking.

Ms. MOUSSAVIAN. If I may add, the TIGTA report my colleague on the panel quoted was from 2011. Since then, the IRS has implemented very rigid changes to the individual taxpayer identification number program, the ITIN Program. It has resulted in a drastic reduction in the number of ITINs that are issued.

In fact, those figures do not reflect the IRS initiative to address alleged allegations of fraud within the Child Tax Credit Program.

Mr. DESANTIS. What is the basis of that? Is that your understanding, that they have reduced the fraud by a lot?

Ms. O'CONNOR. No, not at all. Remember that it is not fraud for someone in the Country illegally to get the additional child tax credit. Congress has never made it clear, notwithstanding IRS' published position that you don't have to have a Social Security number to get the additional child tax credit. Congress should make that clear if that is its intention.

Further, the GAO report issued yesterday says that IRS issued \$17.7 billion in improper payments of the earned income tax credit just last year. That is a 23 percent increase over the year before.

Mr. DESANTIS. That is a staggering amount of fraud.

This could be for Dr. Camarota or Mr. Rector. Does the President's November 2014 executive actions include a requirement that any candidate for "deferred action" have never filed for nor received nor been party to tax or other Federal benefits for which he or she was not entitled at the time?

Mr. RECTOR. No, it does not require that. I would say on behalf of the earned income tax credit, we know there is a lot of fraud in that program because it is very rigorously audited. If you were to go over to the Food Stamp Program, there is a fraud rate of at least 10 percent over there that you never hear about because they do not audit it as well. If you wanted to see real fraud, go to public housing.

There is a massive amount of cases where individuals claim or hide income and in the case of the EITC, claiming income they don't actually have in order to gain the benefit, or in the case of these other programs, working off the books and hiding the income in order to get benefits. It is rife within the entire welfare system, not just the EITC.

Mr. DESANTIS. Thank you. My time has expired.

The Chair will now recognize Mr. Lynch for 5 minutes.

Mr. LYNCH. Mr. Chairman, Mr. Cartwright has a scheduling problem so I would like to yield my time to him and then I will take his time later.

Mr. DESANTIS. Very well.

Mr. CARTWRIGHT. Thank you, Mr. Lynch and thank you, Mr. Chairman.

From Mr. Rector's testimony today, we have heard many absolutely stunning numbers on the fiscal costs of the Administration's deferred action programs. For example, Mr. Rector's written testimony states, "Increase in the ITC and ACTC cash payments to DAPA recipients would be \$7.8 billion per year."

This figure is more than ten times the estimate by the non-partisan, not Democrat, not Republican, Congressional Budget Office earlier this year. With all due respect, this is not the first time immigration cost analyses from The Heritage Foundation have come under scrutiny.

For example, a May 2013 immigration report by Mr. Rector was sharply criticized by the Cato Institute. They said in that study, "Its flawed methodology and lack of relevancy to the current immigration reform proposal relegate this study to irrelevancy."

Mr. Rector, my question is, were you aware of this criticism by the Cato Institute at that time?

Mr. RECTOR. Yes, I am aware of the criticism.

Mr. CARTWRIGHT. Why did you choose to ignore any potential economic benefit that would come from introducing these people to our work force?

Mr. RECTOR. Would you like me to answer that?

Mr. CARTWRIGHT. Sure.

Mr. RECTOR. The EITC numbers that I have come directly from the census. The census, when we talk about illegal immigrants, most of them are inside the census. The census takes the family's income and their demography and imputes a value for the earned income tax credit.

The number I gave there, roughly \$7 billion, simply takes the illegal immigrant population that is subject to DAPA and takes the census number and adds it together.

Mr. CARTWRIGHT. That is relegated to irrelevancy by the Cato Institute and more than ten times the estimates by the non-partisan CBO. We need to talk about this later but I only have 5 minutes and I want to shift over to Ms. O'Connor, Mr. Rector.

Ms. O'Connor, my impression from your written testimony was that in large part it is a reStatement of TIGTA reports. Would that be a fair Statement?

Ms. O'CONNOR. That is correct.

Mr. CARTWRIGHT. TIGTA is the Treasury Inspector General for Tax Administration, right?

Ms. O'CONNOR. Right.

Mr. CARTWRIGHT. What you have done is you have taken the points from a number of TIGTA reports on this whole question, right?

Ms. O'CONNOR. Right.

Mr. CARTWRIGHT. Since November 2004, the man's name has been J. Russell George, am I correct in that?

Ms. O'CONNOR. You are correct.

Mr. CARTWRIGHT. That is the TIGTA that we are talking about, right?

Ms. O'CONNOR. Yes.

Mr. CARTWRIGHT. I invite your attention to page four of your written testimony, the first report there is a 2009 Inspector Gen-

eral report. When you say Inspector General, you are talking about TIGTA in your report, right?

Ms. O'CONNOR. That is right.

Mr. CARTWRIGHT. My question is, why didn't you mention J. Russell George's name when you talked about that 2009 TIGTA report? It is not in there, is it?

Ms. O'CONNOR. I did not mention him by name because what is important is the office. The first TIGTA report I mentioned was before Mr. George took office.

Mr. CARTWRIGHT. You mentioned another 2009 report from TIGTA on the same page. You did not mention J. Russell George's name there either, did you?

Ms. O'CONNOR. Why would I?

Mr. CARTWRIGHT. Then on page five, you mentioned the Inspector General report from 2011, a third report from TIGTA, and you do not mention J. Russell George's name in that one either, am I correct in that?

Ms. O'CONNOR. What you are missing is that I am referring to reports that are prepared by the Office of the Treasury Inspector General for Tax Administration.

Mr. CARTWRIGHT. On page six, you mentioned a fourth report from TIGTA and you also mentioned a 2013 report from the Inspector General, I am asking you simply yes or no questions and I am entitled to a response.

Ms. O'CONNOR. No, you are not.

Mr. CARTWRIGHT. The fourth report on page six refers to a 2013 IG report, also from TIGTA, and you do not mention Mr. Russell George's name in that report.

Ms. O'CONNOR. And I did not mention the name of the TIGTA in the first TIGTA report before Mr. George took office.

Mr. CARTWRIGHT. On page six, the fifth report, last year in 2014, Inspector General mentions another set of findings and you did not mention J. Russell George's name in that fifth report either, did you?

Ms. O'CONNOR. And your point is?

Mr. CARTWRIGHT. Are you aware, Ms. O'Connor, that Representative Gerry Connolly from Virginia and I have called for an ethics complaint against J. Russell George for his handling of other matters because of his lack of non-partisanship? Are you aware of that, Ms. O'Connor?

Ms. O'CONNOR. No.

Mr. CARTWRIGHT. I yield back, Mr. Chairman.

Mr. DESANTIS. The gentleman yields back.

The Chair now recognizes the Chairman of the Benefits Subcommittee, Mr. Jordan, for 5 minutes.

Mr. JORDAN. I apologize, Mr. Chairman.

Let me go with a couple numbers. First of all, Mr. Rector, would you characterize Cato as non-partisan when it comes to the immigration issue?

Mr. RECTOR. The Cato Institute is an open borders libertarian institution. It believes in no restrictions on immigration whatsoever and everything they have to say on this policy flows from that.

Mr. JORDAN. A slightly different position than Heritage takes?

Mr. RECTOR. A little bit.

Mr. JORDAN. I like the Cato Institute, I think they do some great work, but on this particular issue, I am not where they are. To cite them as the end all, be all definitive Statement on numbers Heritage has on immigration policy, I do not think makes sense.

Mr. JORDAN. Ms. O'Connor, you mentioned 7 million people with the tax identification number in your testimony. Tell me what that number is again because there is a dramatic increase from when the tax ID number was first put in place, I believe you said in the mid-1990's, to where it is today? Will you elaborate on that, please?

Ms. O'CONNOR. The 7 million number is a couple years old already. The Internal Revenue Service says it issues about 2.5 million additional ITINs every year.

Mr. JORDAN. The 7 million was from what year?

Ms. O'CONNOR. I think that was 2009.

Mr. JORDAN. It is significantly higher today?

Ms. O'CONNOR. Right.

Mr. JORDAN. The 5 million who are part of the President's latest, would they be reflected in the most current number, whatever that number is, or is that going to be 5 million additional added to that number?

Ms. O'CONNOR. That is a good question since we know that many people who are in the Country illegally are already paying taxes and they use ITINs to do so. I would not imagine that the President's action is going to increase the number of ITINs that much more than it increases every year anyway.

Mr. JORDAN. Mr. Camarota, you mentioned a \$4.3 billion number from a 2011 study. Tell me about that again?

Mr. CAMAROTA. The Inspector General went through and looked at all the people in the United States who were working and filed an income tax return using an ITIN and gave them \$4.3 billion.

The Inspector General report is very clear that basically all these individuals are illegal immigrants getting the ACTC, the cash portion of the additional child tax credit. That is, they did not pay any Federal income tax and they gave them \$4.3 billion instead.

Mr. JORDAN. I am not sure if the Chairman asked this question in his time but based on what the President did in November, the additional \$5 billion, this sort of relates to the previous question I asked Ms. O'Connor, what do you anticipate that number is going to do? Is going to go up significantly? What is going to happen?

Mr. CAMAROTA. We would certainly expect that now that they have valid socials, more of them would actually work on the books. We think right now only about 55 percent of illegal immigrants work on the books but presumably that number would increase with legalization and valid Social Security numbers.

The number of people getting the EITC or the ACTC, which we have been discussing here, would grow proportionately, depending on how many people come forward. Obviously if it is a lot of folks, it will run into the billions.

Mr. JORDAN. You cited the Inspector General. Mr. Cartwright made a big deal of the Inspector General in his previous time. In your estimation, the reports and numbers you received from the Inspector General, are they in any way not accurate, is there some

doubt as to the validity of the reports and numbers the Inspector General has brought forward?

Mr. CAMAROTA. No, these are pretty straightforward. How many people are filing income tax returns.

Mr. JORDAN. It does not matter if it is Inspector Russell George or Santa Claus, right, as long as the numbers add up, it adds up, right?

Mr. CAMAROTA. I have no reason to doubt them.

Mr. JORDAN. The Democrats like to make a big deal on Mr. George, but the fact is when Mr. George discovered that targeting was taking place, he gave a heads up to the Treasury Department, he gave a heads up to the IRS, clear back before the Presidential election. He gave a heads up to everyone else.

He did not give us a heads up. I would like for him to have told Congress that the IRS was using the terms tea party and patriot to identify groups and put them in this category where they never got their tax exempt status.

They would like to make a big deal that they have filed some ethics charges against him but the truth is, Mr. George, if anyone has a complaint with Mr. George, it should be the Republicans because he told the White House Administration information before he ever told us, in fact, 6 months before.

This whole idea that somehow these numbers are not valid or not accurate makes no sense to me. We can make a big deal of it if we want but the fact is, they targeted conservative groups. Now they are just giving us accurate numbers, simple mathematics, right?

Mr. CAMAROTA. To my knowledge.

Mr. JORDAN. Simple math and you guys are bringing information forward. For that, we thank you and I yield.

Ms. MOUSSAVIAN. Congressman, if I may add, the same TIGTA report—

Mr. DESANTIS. The gentleman's time has expired.

The Chair asks unanimous consent to enter into the record the GAO report published this Monday, March 16, about improper payments for the whole government but it does include the information on earned income tax credits.

Without objection, so ordered.

Mr. DESANTIS. The Chair now recognizes a proud Bostonian on St. Patrick's Day, Mr. Lynch, for 5 minutes.

Mr. LYNCH. Thank you, Mr. Chairman.

That is part of the reason why I arrived a bit late. We have the Taoiseach of Ireland in today. Maybe it is an Irish trait, but he spoke a bit long, so I arrived a little bit late.

I want to thank all of the witnesses. You all have been helpful. While you are not in agreement, I would hope that our immigration policy would be data driven to some extent. The ideas that you have shared are certainly very helpful.

I think the answer to this is to structure an immigration policy and immigration laws that maximize the longer term general benefits to our economy and to our Country while at the same time trying to mitigate and eliminate possibly some of the short term costs that you are describing which are more local in many respects.

The President, with all due respect, has not had that opportunity. DAPA is a very blunt instrument as it does not allow us to,

as I said before, maximize the positive and mitigate the negative. It is a rather crude instrument. It is not of his choosing.

I think the President has said on many occasions that he would prefer to have a comprehensive, well thought out, well structured, thoroughly debated, data driven immigration law introduced rather than using this more crude mechanism, but this is what he is left with. That is what the President has said on countless occasions.

There are some longer term general benefits. I know that one of my issues is Social Security. The birth rate in the United States is not sufficient. We do not have a sufficient what they call replacement rate because new workers are not coming into the economy, the birth rate is so low and that fewer number of citizens will eventually carry a tremendous burden for the pensions, Social Security obligations and tax burden for a much larger, earlier generation.

Immigration could help that if it were structured in a positive way which would address that gap.

Ms. Moussavian, you have been very, very kind to appear before us and I want to ask you about the earned income tax credit and the Work Pays Initiative.

At the time of the program's expansion, Senator Chuck Grassley took to the Senate floor to support the earned income tax credit stating, "It is important to bear in mind the billions of dollars that have been provided in this bill to encourage struggling families to enter the work force or expand the number of hours they work. Too often, we focus on the welfare specific provisions and completely forget or ignore the major efforts to encourage work that are contained in the Tax Code."

Ms. Moussavian, I would like to know, is that your understanding of that provision? Is that how it works?

Ms. MOUSSAVIAN. The earned income tax credit is a long standing tax program that is meant to incentivize work and recognize that work should be acknowledged, particularly for low income families struggling to support their children and families.

Mr. LYNCH. In general, would you agree that the families who receive the EITC increase the number of hours they work? Is that how this works?

Ms. MOUSSAVIAN. The earned income tax credit is only for people who are working and who are paying taxes. In that sense, it was intended specifically as an alternative to public safety net programs and means tested public benefits. It is entirely different in nature.

It rewards work. It rewards particularly work performed by low income families. Over 74 percent of recipients of the earned income tax credit make less than \$25,000 a year. In that sense, these are vital economic supports that are viewed as essentially an economic stimulus for the local communities that money gets reinjected back into.

Mr. LYNCH. For that strata, that classification of low income and middle income families, do you believe the EITC original purpose is served by continuing to encourage them to work?

Ms. MOUSSAVIAN. That is correct.

Mr. LYNCH. We got into child tax credits. Senator Grassley also Stated, "This is a tax credit that particularly helps low and middle income families who pay for child care for the young children."

Ms. Moussavian, do you agree with Senator Grassley that the tax credit does help with that, when affording child care for their young children is considered?

Ms. MOUSSAVIAN. Yes, both the ATC and the CTC by design are anti-poverty programs. They have been enormously effective in lifting millions of low income families, working, tax-paying, low income families out of poverty.

They provide essential economic support for families so that they do not have to make difficult choices about do I put food on the table for my young child, do I pay the utility bill or do I pay the rent.

It allows those families to invest, again, these are parents of largely U.S. citizen children. Proposing any threats to change access to these important anti-poverty programs, we are hurting U.S. citizen kids.

I would just add, and I apologize if I interrupted my co-panelist before, but I wanted to also correct. These are taxpayers and the ITIN program that is available to non-citizens, both unauthorized immigrants as well as those with status who are lawfully present.

They make tax contributions. In fact, the same TIGTA Inspector General we have been citing, his 2011 report specifically said that in the tax year 2010, ITIN holders contributed \$897 million in tax revenue.

Yes, there are some ITIN holders or some immigrants who are receiving this tax credit, but again, to your point, it goes to provide those families with really vital economic support.

Mr. LYNCH. Thank you very much.

Thank you, Mr. Chairman, for your indulgence. I realize I went over. I yield back the balance of my time.

Mr. DESANTIS. The gentleman yields back.

The Chair now recognizes the gentleman from South Carolina, Mr. Mulvaney, for 5 minutes.

Mr. MULVANEY. Thank you, Mr. Chairman. Happy St. Patrick's Day to everyone.

Thank you, Ms. O'Connor, from Mr. Mulvaney, for wearing your green today.

I am sitting here talking to my friend, Mr. Jordan, trying to figure out what to talk about.

Mr. Rector, every time I listen to you, and I have before, and you and I have talked about this before, the thing that stick in my craw is every time I listen to you, I get the feeling that you think all immigration is bad.

I know that is not the message you want to convey but that is the message you convey, is that immigrants are bad. I have to disagree with that fundamentally.

At the same time, Ms, Moussavian, I look at what the President did and I think that does not work either. What Mr. Rector wants to do, which is keep everybody out, does not work and what you are defending, what the President did, which was with the stroke of a pen, violate the law and give bunches of benefits to people costing billions of dollars, is also wrong.

Instead of sitting here and trying to figure out who is right because I think neither of you is right, help me be more positive today on St. Patrick's Day. Tell me what a functioning and healthy,

legal immigration system looks like. Mr. Rector, I will start with you and keep your answer fairly short because I want to hear from everyone on this. I do not want to eat up all my time.

Mr. RECTOR. I think it has been very clear over the last decade or so that when you look at the fiscal consequences of immigration, immigrants who have a college degree pay far more in taxes.

Mr. MULVANEY. I hear you, Mr. Rector. Again, I am not going to go into the details of it but I recognize the fact that the welfare system and the welfare State is different now than it was when my great grandparents came over but we did not build the Country on college graduates. That is just not how it worked.

When my great grandparents came over, there were farmers who came because they were literally starving to death. They were not college graduates. They were not doctors and lawyers. They came over and that is how we built the Country. I do not want to get into it today.

Give me one idea on how we provide for a healthy, legal immigration system going forward.

Mr. RECTOR. Bring in people who are net taxpayers and will not impose additional cost on the already extraordinarily overburdened U.S. taxpayer.

Mr. MULVANEY. Mr. Rector, we could do it different from that. Again, when my ancestors came over, we did not have much of a welfare State at the time. We had a little bit. They were required, if I know my history right, to have a sponsor who effectively posted a bond for them and said, Ms. O'Connor is coming over, she is my responsibility, she is my ward and I am guaranteeing that she will not be on any Federal programs for the next 15 or 20 years. That is the history, give or take, right?

Ms. O'Connor, am I right about that?

Ms. O'CONNOR. I believe so.

Mr. MULVANEY. We could do that again now, couldn't we? We could allow folks to come over and they would not be a net tax loss?

Mr. RECTOR. Those principles are still in effect. It is still in the law. I have been doing this for 40 years. I have yet to see a single individual who has redeemed that bond because these families go on welfare. I understand what you just said. It is in law. It is never, ever enforced.

Mr. MULVANEY. If we could look at something we could agree on, enforcing the current immigration law might do great steps toward improving things?

Mr. RECTOR. Again, you have to simply acknowledge that if you bring in people that have very low education levels, there is a fiscal cost. If you want to do that, I am just going to tell you what the fiscal cost is.

Mr. MULVANEY. Ms. O'Connor, do you want to check in on this? Give me some ideas on how to fix the legal immigration system in the Country?

Ms. O'CONNOR. Enforce it.

Mr. MULVANEY. That is fair. You think the laws we have now are adequate?

Ms. O'CONNOR. I have not studied immigration law to a large extent. I am, however, a first generation American, so I have some personal experience with immigration and naturalization.

The problem I see from a tax perspective is what is being called amnesty bonuses. We have open borders and a welfare system. That relinquishes our sovereignty. That is wrong.

Mr. MULVANEY. I agree. I think that is the difficulty, Ms. Moussavian, with what the President has just done. He has created a financial bonus for having come here illegally. That is what strikes so many of us, even those of us who are for reforming the legal immigration system, as being unfair.

We are looking at folks and saying, if you came here legally, you do not get the 3-years backward looking earned income tax credit. There is an incentive to have come here illegally and that is simply not fair.

Ms. O'CONNOR. Immediately repeal all refundable credits and take the Internal Revenue Service out of the business of welfare program administration.

Mr. MULVANEY. Ms. Moussavian, I have about 20 seconds. Give me an idea on how to fix legal immigration?

Ms. MOUSSAVIAN. First, I would say people who are eligible for DAPA and DACA are not going to be eligible for any of the Federal public benefits programs we are talking about. In fact, any of you who have met with any of our staff have seen this chart that really highlights all the barriers to access to programs.

Mr. MULVANEY. I am sorry to go over my time but I am misunderstanding you because I had Mr. Koskinen in here and I asked him myself if some were qualified for the President's amnesty from November.

Ms. MOUSSAVIAN. The tax credit programs are not Federal public benefits. They are for people who are taxpayers and workers. These are people who are paying without any type of work authorization. They are contributing \$13 billion.

Mr. MULVANEY. You are consolidating. I am giving you one example of someone who is here, came here illegally, might have worked or not, and the President is now going to give them a Social Security number and they can claim 3 years of back to the EITC.

Ms. MOUSSAVIAN. This look back provision we are talking about, claiming past years, it is not exclusive to the EITC, it is not exclusive to people who would be getting Social Security numbers through DAPA or DACA.

Mr. DESANTIS. The gentleman's time has expired.

Votes have been called. We definitely have time to recognize Mr. Lieu and I think at that point, we will stand in recess. I do think this is likely to be a lengthy vote series. To the witnesses, if we are in recess or an hour, how is your schedule? Would you be able to reconvene at that time? That will be the plan.

The Chair now recognizes the gentleman from California for 5 minutes.

Mr. LIEU. Thank you, Mr. Chair.

We heard some numbers from The Heritage Foundation. There are other institutions that have also done economic analyses and I would like to put those in the record.

Last month, the Council of Economic Advisors released its latest economic analysis of the executive actions. My question will be for Ms. Moussavian.

It is true, is it not, they estimated these actions would raise America's GDP level between \$100-\$250 billion over the next 10 years?

Ms. MOUSSAVIAN. Yes, that is correct. I believe the estimates are between \$90 billion and \$210 billion, according to that study.

Mr. LIEU. It would also reduce the Federal deficit by \$30 billion over the next 10 years?

Ms. MOUSSAVIAN. That is correct.

Mr. LIEU. Let us look at it another way which is, if we were to eliminate these actions, we also had some analysis on that. In January, the Congressional Budget Office and the Joint Committee on Taxation made some estimates of what would happen if we eliminated the deferred action for parental accountability and the deferred action for childhood arrivals.

They said that would actually increase the Federal deficit by \$7.5 billion over 10 years?

Ms. MOUSSAVIAN. Yes, that is correct.

Mr. LIEU. Those two institutions are non-partisan or bipartisan, correct?

Ms. MOUSSAVIAN. Yes.

Mr. LIEU. It is also my understanding the Joint Committee on Taxation estimated \$14.9 billion may be spent on EITC but it would be offset by \$22.3 billion in additional Social Security payroll taxes, isn't that correct?

Ms. MOUSSAVIAN. Yes, it is.

Mr. LIEU. I am going to reserve the balance of my time to make a Statement. It will be directed to Mr. Rector, not so much on the substance of your testimony but just on the tone of it.

I think it is easy for people like you and me who wear suits and ties and work in offices to cast aspersions on those with a tenth grade education. I certainly hope you are not saying that only those with college degrees or high school degrees should be eligible for Federal benefits.

Let us talk about some of these folks with a tenth grade education such as Maria Isabel Jimenez. She was a farm worker, 17 years old. She worked for 9 hours 1 day on a farm near Stockton in brutal heat without shade or water and then she collapsed. She was taken to a hospital. Her body temperature was 108.4 degrees. She died 2 days later.

When I was in the California State Legislature, I had the opportunity to meet over many years, many farm workers who have had families die in brutal conditions and in the heat so that you and I can have less expensive orange juice, cheaper artichokes, and less expensive garlic.

I just want to suggest that people like Maria Isabel Jimenez, that her net contribution in dying so that you and I can have cheaper grocery bills so that we can spend less, she has given far more to American society than you and I ever will.

I yield back.

Mr. DESANTIS. The gentleman yields back.

We do have some more time. Mr. Carter is in the queue if you would like to go? The Chair will recognize the gentleman from Georgia for 5 minutes.

Mr. CARTER. Thank you, Mr. Chairman. Thank all of you for being here.

Bear with me if you will, OK? Are any of you parents just by chance? None. OK.

What bothers me so much here is it just seems like we are rewarding bad behavior. Would you agree with that, Mr. Rector?

Mr. RECTOR. Absolutely. What you have here is a situation where you are taking close to 4 million people, granting them access to the most expensive government entitlement system in the world and my calculations are that over the course of a lifetime, the total benefits they will get through amnesty minus the taxes they pay in is around \$500,000 to \$600,000. It is a massive reward.

Then we talk about oh, they will pay a fine of \$1,000. There are hundreds of millions of people who would like to come live in the United States. What you are doing here is not only permitting people to stay here illegally but giving them this massive financial windfall because they came here and broke our laws.

I think that sends a very bad message to our population and across the globe. I think it is completely unfair to the U.S. taxpayer.

We tried it before. We gave amnesty to nearly 3 million people and ended up with 10–12 million more that replaced those folks. It seems hard to imagine that rewarding illegal activity is going to give you less of it in the future.

Mr. CARTER. Ms. O'Connor?

Ms. O'CONNOR. Similarly, by rewarding it, we are creating an incentive for more of it and we are punishing the people who have been waiting in line for the legal immigration because our systems are going to be completely overwhelmed by handling the DACA and DAPA applicants that those who have already been waiting in line for years are going to be waiting in line for more years to enter the Country legally.

Mr. CARTER. You are not a parent but you have parents, Ms. Moussavian?

Ms. MOUSSAVIAN. Yes, I am from a very large family. My comment is that this is recognizing work and it is work that directly fed into our Social Security coffers and to our Federal tax revenue, into billions of dollars in State and local taxes.

Mr. CARTER. You would subscribe to the theory that as long as you are doing something productive, it is OK to do it illegally?

Ms. MOUSSAVIAN. I would subscribe to the theory that the IRS' mission is to enforce the Internal Revenue Code and recognize they want everyone to be in compliance with their tax obligations.

By providing this important economic support to parents of U.S. citizens, 95 percent of the DAPA eligible population is parents of U.S. citizens, Americans who have parents.

Mr. CARTER. How did they become U.S. citizens?

Ms. MOUSSAVIAN. I am sorry?

Mr. CARTER. How did they become U.S. citizens?

Ms. MOUSSAVIAN. Their children.

Mr. CARTER. I understand but how did their children become U.S. citizens, because they were born here?

Ms. MOUSSAVIAN. That is correct.

Mr. CARTER. Their parents were here illegally and they were born here. That makes them U.S. citizens, I get that. That means we should reward the parents who were here illegally?

Ms. MOUSSAVIAN. It is not rewarding them. First, with respect to the tax credit, it does not take away the ability of any other person with a Social Security number to make claims for those same tax programs.

With respect to the parents we are talking about of DAPA eligible population, we are talking about a population that has been here a minimum of 5 years, that have been paying taxes, that have been raising our next generation of innovators, students and the work force.

Mr. CARTER. Understood. If they have been here more than 5 years illegally, that makes it OK?

Ms. MOUSSAVIAN. Under the executive actions, the President has said we need comprehensive immigration reform, and that is what I would ask of you and your colleagues, that ultimately the long term solution rests with you.

The President has said through these initiatives, this is a way to put some order and sense into our immigration system rather than put these parents of U.S. citizens at risk of deportation. We want to recognize they have been here for a long time, they are deeply embedded in our communities and our work force. They are vital contributors.

That is what the President's executive actions are about.

Mr. CARTER. What message do you think that sends to the children of American taxpayers who have been here legally? What message does that send to our society?

Ms. MOUSSAVIAN. The President is sending the message, I want you to be able to stay with your parents regardless.

Mr. CARTER. The President is sending the message that it is OK to break the law.

Ms. MOUSSAVIAN. No, he is saying that our immigration system is dysfunctional and Congress, please work together to come up with a long term solution.

Mr. CARTER. Two wrongs make a right? Is that what we are saying?

Ms. MOUSSAVIAN. I think there have been many wrongs that have led to this current situation that we are in. We are out of touch. It is all well and good to say we should follow the laws. The problem is the system is broken at every level.

Mr. CARTER. For some reason, I just do not think we will agree on this.

Mr. DESANTIS. The gentleman's time has expired.

Mr. CARTER. Thank you. Thank you for being here.

Ms. MOUSSAVIAN. Thank you.

Mr. DESANTIS. I really appreciate the witnesses. I think we have had enough people that have asked questions. My sense is that we probably would not have many coming back. I want to thank the witnesses.

I think at the end of the day, all of you made good points. The problem with being here is these are debates that should be had in Congress before you have massive policy changes. The President, by unilaterally doing something he said 22 different times he did

not have the authority to do, really short circuited the American peoples' ability to weigh in on this.

We do not know what is going to happen with the courts. We do not know what Congress will do. We do not know a lot of these things right now, but I think we need to put some of these ideas on the table and get different views because I think taxpayers deserve to know what effect, if any, this is going to have on the public and their tax liabilities.

I appreciate everyone and we will stand adjourned. This hearing is concluded.

[Whereupon, at 3:25 p.m., the subcommittees were adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

GAO Report- GAO-15-482T

**Improper Payments: Government-Wide Estimates and Use of
Death Data to Help Prevent Payments to Deceased Individuals**

Statement of Daniel Bertoni,
Director, Education, Workforce, and Income Security Issues

Beryl H. Davis,
Director, Financial Management and Assurance

The GAO Report can be found online using this link:

<http://www.gao.gov/assets/670/669026.pdf>