



Budget Model

Effects of President Biden's Unauthorized Immigrant Legalization Proposal on SNAP and Payroll Tax

Summary: PWBM projects that the legalization provisions of the U.S. Citizenship Act proposed by President Biden would increase per capita spending on the Supplemental Nutrition Assistance Program (SNAP) by 1.2 percent in 2031 and 0.7 percent 2050 relative to the current policy baseline. Per capita payroll taxes would increase by 1.3 and 0.2 percent relative to the current policy baseline, in 2031 and 2050 respectively.

Key Points

- PWBM projects that the legalization provisions of the U.S. Citizenship Act proposed by President Biden would increase per capita Social Security benefits paid and per capita SNAP transfers by 0.5 and 0.7 percent, respectively, by 2050 relative to the current policy baseline.
- We project that the policies would increase per capita payroll tax revenue by 0.2 percent in 2050 relative to baseline.
- We project that GDP per capita would decrease by 0.1 percent in 2050 relative to baseline, primarily due to a 0.1 percent decrease of average per capita labor productivity.

Introduction

PWBM previously analyzed Biden's presidential campaign [legalization proposal](#) as well as [three proposed legalization bills](#) which [target](#) specific segments of the unauthorized immigrant population. In this brief, we repeat our analysis, looking specifically at Supplemental Nutrition Assistance Program (SNAP) transfers, Old-Age and Survivors Insurance (OASI) benefits, and payroll tax revenues. This analysis also includes tax modeling enhancements to better reflect tax effects of an individual's legal status. We estimate the impact that legalization might have on bringing workers to the legal labor market thereby increasing their contributions to payroll tax revenue.

As in the previous [demographic and economic analysis](#), we analyze four scenarios providing legalization to (1) Farm Workers, (2) Deferred Action for Childhood Arrivals (DACA) recipients, (3) Essential Workers, or (4) all unauthorized immigrants ("Full Legalization"). For each scenario, we assume that legalization is offered at the

start of 2022. We estimate that, in each scenario, take-up of legalization is roughly 70 percent among eligible unauthorized immigrants, consistent with [CBO analysis](#) of the 2013 Border Security, Economic Opportunity, and Immigration Modernization Act.

PWBM’s dynamic model accounts for a lower incidence of payroll taxes among unauthorized immigrants, who do not have appropriate working documents and who are more prone to engage in the informal labor market. The [Social Security Administration](#) has estimated that, from a population of approximately 10.8 million unauthorized immigrants, about 3.1 million were working and paying Social Security payroll taxes in 2010, implying that around 29 percent of all unauthorized immigrants pay payroll taxes. In our model, unauthorized immigrants who are granted legal status immediately switch from paying an average of 29 percent of their payroll taxes to paying the full amount. This assumption may produce a shift that is more abrupt than actually occurs, since it may take time for all legalized unauthorized immigrants to transition.

Modeling DACA

DACA recipients have temporary authorization to reside and work in the U.S. for ten years (with review every two years) by executive order rather than law. Their permanent legal status and path to citizenship have not been clarified. In the baseline scenario, PWBM assumes DACA exemptions expire after ten years and treats DACA recipients as unauthorized immigrants after that time. Although DACA recipients can legally work until DACA expires, they are not eligible for several government transfer programs such as SNAP. Legalization provides DACA recipients access to higher productivity labor opportunities as well as government transfer programs available to lawful immigrants.

Budgetary and Economic Effects

Table 1 shows that, on a per capita basis, OASI benefits paid increase for all legalization policies except DACA in 2050.

Table 1. Social Security Benefits Paid per Capita by Legalization Scenario

Percent Change from Baseline

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Year	Farm Workers	DACA	Essential Workers	Full Legalization
2031	-0.1	-0.2	-0.3	-0.5
2040	-0.1	-0.2	-0.1	-0.1
2050	0.1	-0.1	0.3	0.5

Most unauthorized workers have lower realized productivity (even after getting a boost from legalization) than the average worker in the U.S. economy and earn less money and contribute less to payroll taxes. This lower productivity is due to restricted work opportunities for unauthorized workers and also due to more persistent characteristics unaffected by a change in legal status, such as educational level and language

barriers. According to PWBM’s estimates for 2020, unauthorized immigrants are 76.8 percent as productive as U.S. workers—meaning they earn on average 23.2 percent less per hour worked.

Old age benefits (Social Security OASI) are progressive and provide a minimum benefit payment. Legalization, by admitting low productivity workers to the OASI program later in their working life, produces a larger cost to the government in the long run when those workers retire. The legalization of DACA recipients, who are much younger and subject to similar education and training opportunities as the overall U.S. population, does not produce a comparable per capita cost imbalance. In the Full Legalization scenario, the effect on per capita OASI benefits is a 0.5 percent *decrease* in 2031 but a 0.5 percent *increase* by 2050.

As shown in Table 2, payroll taxes paid per capita vary for each legalization scenario because of each targeted group’s average age and labor productivity as well as relative size. For instance, the DACA eligible population is younger and contributes to the Social Security system for a longer time, while payroll taxes per capita start to decrease for the other scenarios. In the Full Legalization scenario, per capita payroll tax revenues are 1.3 percent higher in 2031 but decrease to 0.2 percent higher in 2050 relative to baseline.

Table 2. Payroll Taxes Paid per Capita by Legalization Scenario

Percent Change from Baseline

[DOWNLOAD DATA](#)

Year	Farm Workers	DACA	Essential Workers	Full Legalization
2031	0.2	0.2	0.7	1.3
2040	0.1	0.2	0.4	0.6
2050	0.0	0.2	0.2	0.2

Table 3 shows the effect of each legalization scenario on per capita SNAP benefits paid. After unauthorized immigrants become legalized, they become eligible for various government transfer programs such as SNAP. Because these recently legalized immigrants tend to be poorer than the average individual in the U.S. economy and are therefore more likely to be eligible for SNAP transfers, in the Full Legalization scenario, per capita SNAP expenditures increase by 1.2 percent in 2031. As the newly legalized immigrants work and accumulate wealth, per capita SNAP benefits in the Full Legalization scenario decline to 0.7 percent higher than baseline in 2050.

Table 3. SNAP Benefits Paid per Capita by Legalization Scenario

Percent Change from Baseline

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Year	Farm Workers	DACA	Essential Workers	Full Legalization
2031	0.1	0.1	0.5	1.2
2040	0.1	0.1	0.6	1.1
2050	0.0	0.0	0.1	0.7

Table 4 shows changes to per capita GDP and per capita labor productivity for each legalization scenario. In each case, the number of people affected by the policies is small relative to the size of the U.S. population, and therefore the policies have relatively small effects on the economy as a whole. Legalization of DACA recipients increases per capita GDP because of the addition of young workers with labor productivities comparable to the existing population. On net, however, the Full Legalization policy decreases average labor productivity and reduces output slightly in the long run.

Table 4. GDP Per Capita and Average Hourly Labor Productivity by Legalization Scenario

Percent Change from Baseline

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Variable	Year	Farm Workers	DACA	Essential Workers	Full Legalization
GDP	2031	0.0	0.1	0.1	0.1
	2040	0.0	0.1	0.0	0.0
	2050	-0.1	0.1	0.1	-0.1
Labor Productivity	2031	0.0	0.0	0.0	0.0
	2040	0.0	0.0	-0.1	-0.1
	2050	-0.2	-0.1	0.0	-0.1

Note that the DACA scenario sees a small negative effect on average productivity relative to baseline in 2050. The reason is that DACA recipients are younger and younger workers are less productive than older workers. Average productivity, therefore, decreases when those legalized DACA recipients enter the workforce. In the other scenarios, entry of older legalized immigrants lowers average productivity sooner due to that population’s overall lower productivity distribution.

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