

# The Foreign-Born Population, the U.S. Economy, and the Federal Budget

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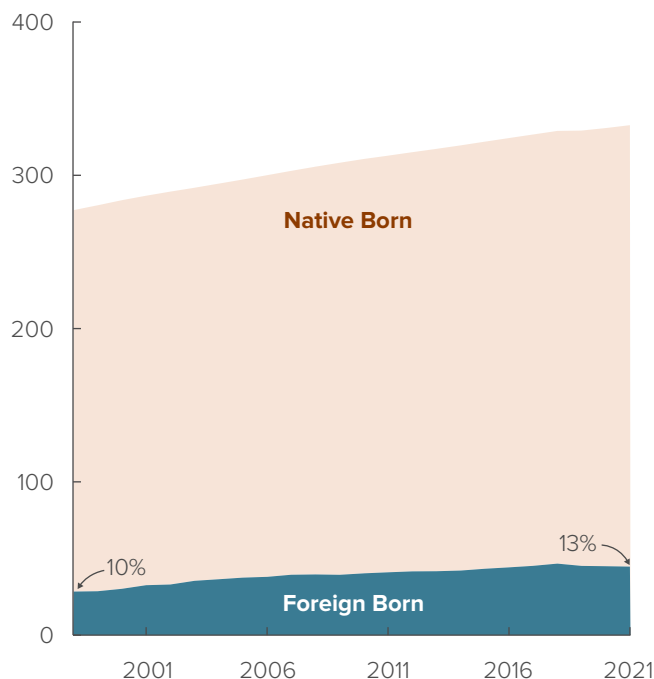
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## An Overview of the Foreign-Born Population

About 45 million people living in the United States in 2021 were born in other countries. As of 2019, roughly three-quarters of the foreign-born population were here legally. That group includes naturalized citizens, lawful permanent residents, refugees, people who were granted asylum, and people who were temporarily admitted for a specific purpose, such as extended work or study. (People visiting the United States for business or pleasure are not included.) The remaining one-quarter were here illegally, having either remained here when their temporary legal status expired or crossed into the United States illegally. The decline in the foreign-born population between 2018 (when it numbered 47 million) and 2021 occurred largely because changes in immigration policy, some in response to the coronavirus pandemic, kept the number of immigrants below the number of foreign-born people leaving the country.

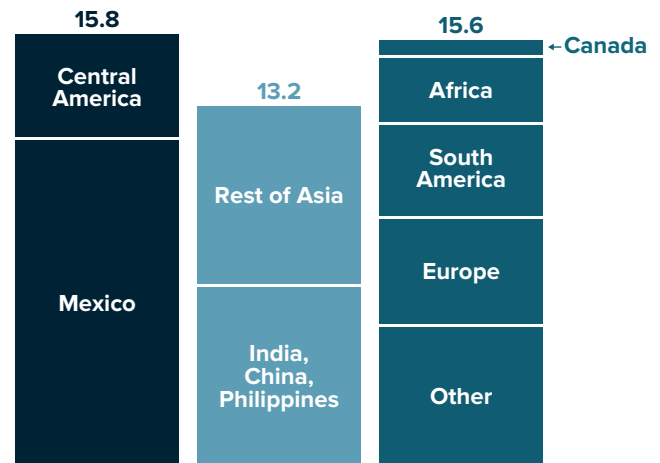
## The U.S. Population, by Birthplace

Millions of People



## Foreign-Born People, by Birthplace, 2021

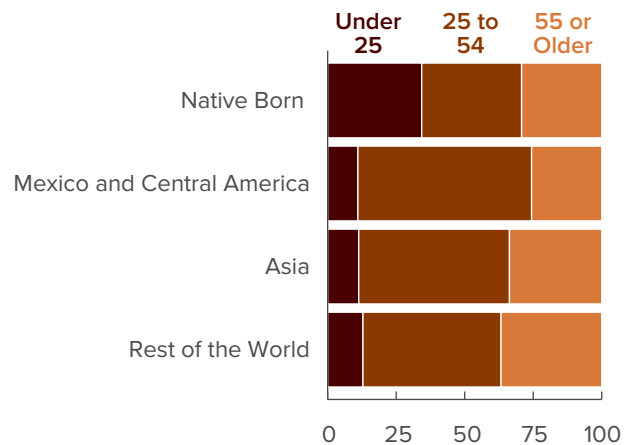
Millions of People



The number of foreign-born people in the United States who hailed from Mexico and Central America was slightly higher than the number from Asia and roughly equal to the number from the rest of the world.

## The Age Distribution of Native-Born and Foreign-Born People in the United States, 2021

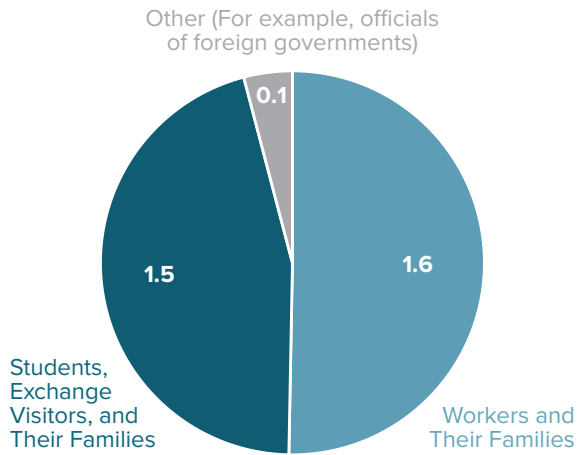
Percent



The share of the foreign-born population that was 25 to 54 years old—the group with the highest rate of labor force participation—was greater than the corresponding share of the native-born population.

### Foreign-Born People in the United States With Temporary Legal Status, 2019

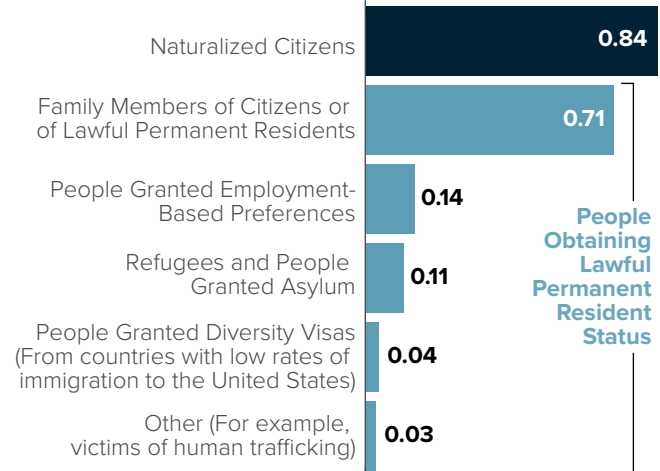
Millions of People



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

### Foreign-Born People Who Obtained U.S. Citizenship or Lawful Permanent Resident Status in 2019

Millions of People



## The Foreign-Born Population and the U.S. Economy

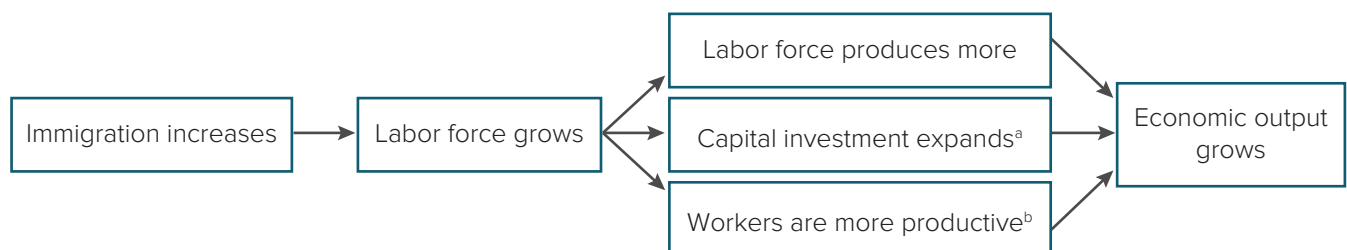
Immigration, whether legal or illegal, expands the labor force and changes its composition, increasing total economic output—although not necessarily output per person.

The effects of immigration on wages depend on immigrants’ skills. If newly arrived workers have skills that complement those of workers already in the United States, immigration will bolster productivity, having a positive effect on wages. If newly arrived workers have skills similar to those of workers already in the country, immigration will have a negative effect on those workers’ wages. Evidence suggests that the arrival of less-educated immigrants will probably have a small negative effect on the wages of less-educated workers already in the country and a larger negative effect on the wages of other immigrants who have recently arrived.

Other forces, such as changes in technology and the global economy, also affect wages, so disentangling the influence of immigration on wages can be difficult.

People with legal immigration status are usually authorized to work, and people without legal immigration status are usually not authorized to work—although many do. (Section 208(d) of the Immigration and Nationality Act allows the Department of Homeland Security to provide employment authorization, subject to certain restrictions, to asylum applicants who are not otherwise eligible to work. The Administration, by rule, allows certain recipients of Deferred Action for Childhood Arrivals to receive employment authorization.) Granting legal status to people who are already in the United States without it would probably boost their wages and productivity. If those people acquired legal status, they would be better positioned to request higher pay and obtain jobs that match their skills.

### The Effect of an Increase in Immigration on Economic Output

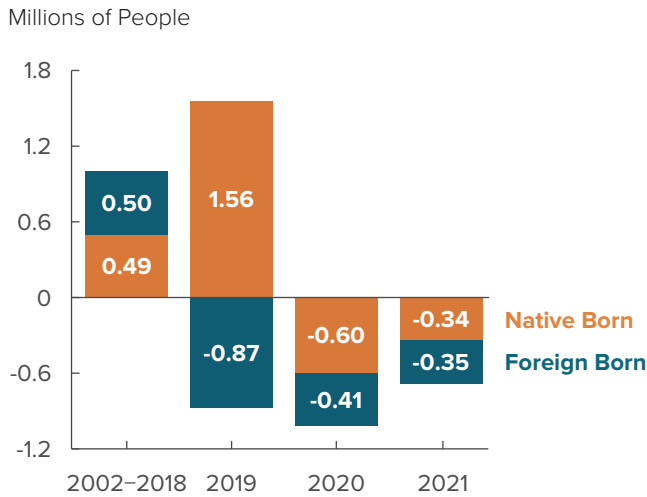


a. A larger labor force can make use of more capital, and a more productive labor force can render each unit of capital more productive.

b. Productivity increases partly because rates of innovation and entrepreneurship among immigrants are higher than average.

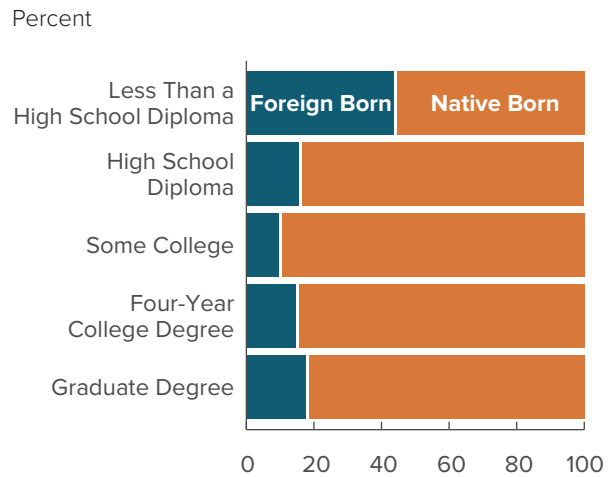


### The Average Annual Increase in the U.S. Labor Force, by Birthplace



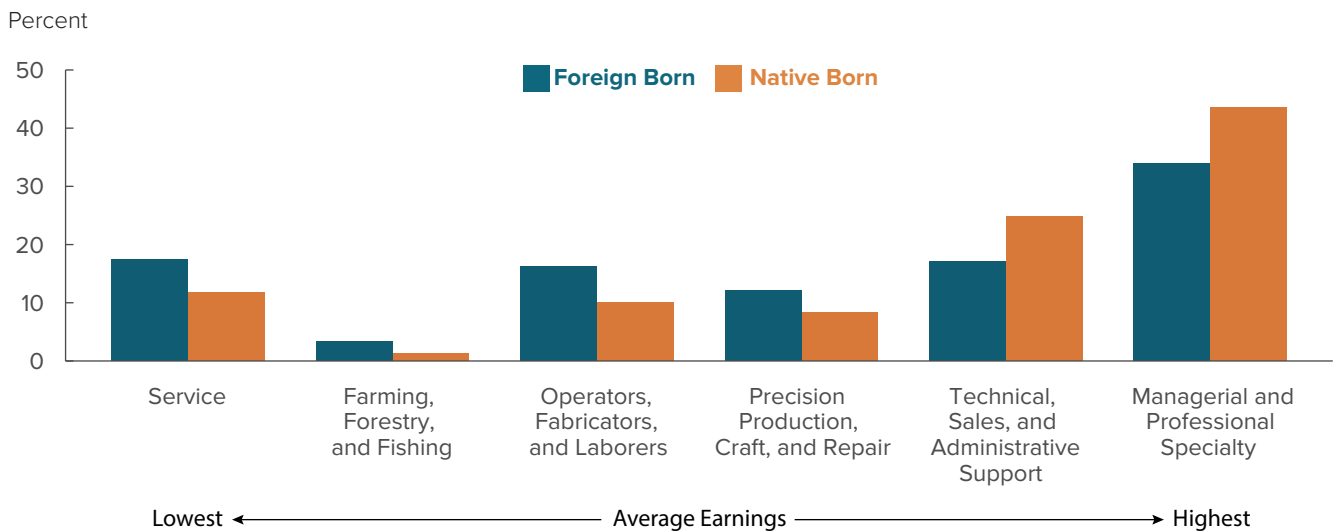
Foreign-born people accounted for about half of the growth of the U.S. labor force between 2002 and 2018. In 2019, 2020, and 2021, the size of the foreign-born labor force dropped considerably because of changes in immigration policy and the pandemic.

### The Share of Native-Born and Foreign-Born People Age 25 or Older in the United States, by Level of Education, 2021



Foreign-born people are most heavily represented in the population that does not have a high school diploma.

### Occupations of Employed U.S. Workers Ages 25 to 54, by Birthplace, 2021



Relative to the native-born workforce, the foreign-born workforce is disproportionately concentrated in occupations with lower average wages.

## The Foreign-Born Population and the Federal Budget

The effects that people have on the federal budget depend largely on the taxes that they pay and the government programs in which they participate. Foreign-born and native-born citizens are liable for the same taxes and are eligible for the same programs.

Foreign-born people who are not citizens generally owe federal taxes, but their eligibility for various federal programs depends on their immigration status. (Similarly, people’s effects on state and local budgets depend on their liability for state and local taxes and their use of state and local public services.)

The Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT) estimate the budgetary effects of proposed legislation that would affect immigration. In particular, they estimate the effects on revenues, spending for refundable tax credits, and federal benefit programs.

- When estimating the effects on revenues and refundable tax credits, CBO and JCT consider changes in foreign-born people’s legal status, authorization to work, possession of Social Security numbers, and likelihood of filing income tax returns.
- CBO and JCT typically do not estimate changes in revenues that would result from changes in the size of the foreign-born population—although they have done so when the legislation would substantially

increase the U.S. population. That is because, following a practice established in the 1970s as part of the Congressional budget process, CBO and JCT generally assume that macroeconomic variables (such as gross domestic product and employment) would not change from the values that they are projected to reach under current law.

- When projecting changes in spending for federal benefit programs, CBO and JCT consider factors such as changes in the number of foreign-born people in the United States (and the number of their children born in the United States), the legal status of those people, and the likelihood that they would claim federal benefits.

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

People’s liability for income taxes and eligibility for tax credits depend on whether they are lawful permanent residents—and if not, on how long they have been in the country, legally or illegally. CBO has not estimated the amount of federal taxes paid by people who are in the country illegally.

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

### Are Foreign-Born Noncitizens Eligible for Benefits?

People with permanent legal status are almost always eligible for benefits through federal programs, although sometimes with a five-year delay. Eligibility is more limited for people with temporary legal status. Most people who are in the United States illegally are not eligible for benefits through federal programs. CBO has not estimated the amount of federal spending on people who are in the country illegally.

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

This document is part of the Congressional Budget Office’s continuing efforts to make its work transparent. In keeping with CBO’s mandate to provide objective, impartial analysis, the report makes no recommendations. For more information about the data, as well as details on immigrants’ federal tax liability and eligibility for federal programs, see [www.cbo.gov/publication/58939](http://www.cbo.gov/publication/58939).

