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Immigrants, Housing Wealth, and Local Government Finances

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Immigration has increased sharply in recent years, and many people worry about its potential effects on government budgets. Many analyses have concluded that immigration is clearly a fiscal benefit to the federal government, but state and local effects can depend more on the particular circumstances in those areas. This analysis attempts to deepen this debate by analyzing the effect of immigration on property tax revenues, accounting for the positive effects that immigrants have on property values.

Immigrants paid nearly $110 billion in property taxes in 2023 and $2.2 trillion in real terms from 1994 to 2023. In addition, immigrants have created or preserved nearly $5.7 trillion in current housing wealth for US homeowners today. By increasing or preventing declines in property values, immigrants indirectly generated $33 billion in additional property tax revenue in 2023 and $1.1 trillion from 1994 to 2023. Altogether, immigration increased state and local property revenues by $143 billion in 2023 and $3.3 trillion from 1994 to 2023.

State and local governments have spent much of this revenue on roads, police, hospitals, and schools. In other cases where this has increased revenues rather than just preventing decline, state and local governments have cut taxes or remitted the revenues to the taxpayers. Although population growth can also pose challenges, those challenges are worth embracing to prevent the more severe problems associated with population decline.

BACKGROUND

Americans are concerned about the effects of immigration on their communities, particularly what immigration will mean for government budgets. While a consensus has emerged that the fiscal effects of immigration are positive at the federal level, its effects on state and local governments are more contentious. This analysis seeks to advance the study of this subject by estimating the effects of immigration on property tax revenues at the state and local levels. Many analyses of



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the effects of immigration on government budgets fail to consider the indirect effects of immigration on property values. This analysis rectifies this oversight.

METHODOLOGY

This analysis relies on a fiscal accounting method that attributes government tax revenues to individuals. Broadly, we followed the National Academies of Sciences, Engineering, and Mathematics (NAS) 2017 fiscal effects of immigration analysis. However, some tax revenue from US-born individuals occurs only because immigration has raised the property's value. Therefore, once all tax revenue was apportioned, we conducted a second analysis to determine the effect of immigration on property values and to shift a proportional amount of taxes previously assigned to US-born individuals to immigrants.

Sources for the Distribution of Property Tax Revenues

Immigrants can affect property tax revenue in three ways: 1) directly, as owners of property who pay taxes; 2) indirectly, as renters of property to whom property owners pass along a portion of the taxes; and 3) indirectly, as consumers who increase the value of real estate and housing, which increases tax revenues since taxes on property are based on its estimated value. For the first two flows, we followed the methodology in the NAS 2017 fiscal effects of immigration analysis. The NAS relies on the Current Population Survey Annual Social and Economic Supplement (CPS ASEC). The CPS ASEC started to record birthplace or citizenship status in 1994, so we analyzed property tax flows from 1994 to 2023.

First, for directly paid property taxes, the CPS tax model simulates individual tax payments from information in non-CPS sources, such as the Internal Revenue Service's Statistics of Income series, the American Housing Survey, and the State Tax Handbook.[1] The CPS tax model includes property taxes only for owner-occupied housing and only through 2018. For 2019 to 2023, the CPS did not estimate property tax values, so we assigned each individual the weighted average of their age, immigrant generation, education level, and state of residence grouping based on a three-year average of property taxes paid from 2016 to 2018.

Second, the NAS identified renters in the CPS ASEC as individuals who pay cash rent and have a positive household income. We determined the property tax rate for rentals based on the state average of property tax as a percentage of household income based on the CPS estimates for owner-occupied housing. We assumed renters pay 70 percent of this value and owners 30 percent. Some evidence indicates that the tax incidence on renters may be higher than 70 percent.[2] Since immigrants are likelier to be renters, this may bias our estimate of immigrant taxes downward. The taxes are apportioned to the immigrant or US-born adults in the household.

Sources for the Effect of Immigration on Housing

The positive effect of immigration on housing values is well documented in the academic literature.[3] To quantify this effect, we followed a methodology employed by one of the authors, Jacob Vigdor.[4] This method first estimates the impact of immigration on home values at the county level, using data from the decennial census (1970 to 2000) and the five-year American Community Survey (2006 to 2010). We then applied the estimated impact of immigration on home values to county-level housing and immigrant population data from the decennial census (1970 to 2000), the five-year American Community Survey (2006 to 2010), and the one-year American Community Survey (2010 to 2022). The one-year ACS has fewer small-population counties than the five-year ACS, but we preferred the one-year samples for their recency and finer-grained detail and because the differences between the results were minimal.

A simple comparison of housing values and immigrant population cannot determine whether immigration improves housing values because the same economic factors that raise or depress housing prices in an area could also affect the level of immigration into that area. To determine the causal effect of immigration on housing, we exploited the fact that new immigrants favor areas with preexisting immigrant communities from their country, independent of economic conditions.

Rather than regressing housing values on the level of the immigrant population for a county in a given year, our regression uses a forecast of a county's immigrant population based on the national origin of a county's immigrants in 1970 and the national growth rates of immigrants by nationality in subsequent decades. This methodology is common in immigration research.[5] This instrumental variable regression design also controls for unobservable effects specific to the year of observation and each county (i.e., fixed effects). To avoid potentially misleading comparisons between urban and rural areas, we considered only immigration variation *within* a county over time. Finally, we also controlled for broad national changes in the housing market as county-level housing market variables lagged 10 years. These controls avoid falsely attributing to immigration any preexisting housing trends.[6]

Although immigration can raise values for all property types, our dataset contains information on residential property values only. We have no comparable dataset for commercial property values, but other research has determined that changes in residential property values predict about 44 percent of the variance in commercial property values.[7] Therefore, we assumed 44 percent of the effect on housing applies to commercial property, which accounted for about half of all property taxes from 2000 to 2022.[8] To determine how much additional revenue is generated beyond what is captured in immigrant taxes, we multiplied the effect of immigration on median housing values (as a percentage of total housing values in the United States) by the US-born property taxes.[9]

The results of this exercise are shown in Table 1. Immigration had added or preserved $5.7 trillion in housing value as of 2022, which was 8.3 percent of that year's aggregate housing value. The share of housing value from immigration has declined since 2015, meaning that housing values are increasing faster than the effect from immigration. Immigrants accounted for only 3 percent of the increase from 2015 to 2022. The share of property taxes from residential property compared to commercial property also fell, to 43.5 percent. As a result, immigration accounted for about 5.7 percent of tax revenues from US-born individuals' property.

The effect of immigration for years in which we have no data (1994 to 1999, 2001 to 2009) was linearly interpolated, except that we used the 2022 value for 2023. For 1994 to 1999, we used the series average for the household share of tax revenue.

Source for Aggregate Property Tax Revenue

The NAS source for overall state and local property taxes comes from the Commerce Department's Bureau of Economic Analysis National Income and Product Accounts (NIPA).[10] We proportionally adjusted the values calculated for each individual represented in the CPS ASEC in the first two steps to match the aggregate value of all property taxes in the NIPA. Property taxes were 30.5 percent of state and local tax revenues in the average year from 1994 to 2023.

Table 1
Effects of immigration on housing values and property tax revenues
2002–2003, 2007–2012, and 2014–2022

	1990	2000	2010	2015	2019	2022
Immigrants	19,767,316	31,107,889	38,329,815	41,603,678	43,231,187	44,476,389
Value add (2023$)	1.2 trillion	2.6 trillion	2.9 trillion	4.7 trillion	5.1 trillion	5.7 trillion
Aggregate housing value (2023$)	14 trillion	21 trillion	35 trillion	39 trillion	50 trillion	68 trillion
Share of housing value from immigration	8.51%	12.25%	11.30%	12.09%	10.06%	8.34%
Household share of property taxes	46.3%	46.3%	47.5%	46.3%	47.1%	43.5%
—Revenue effect from households	*3.9%*	*5.7%*	*5.4%*	*5.6%*	*4.7%*	*3.6%*
—Revenue from commercial	*2.0%*	*2.9%*	*2.6%*	*2.9%*	*2.3%*	*2.1%*
Total revenue effect (share of US taxes)	**6.0%**	**8.6%**	**8.0%**	**8.5%**	**7.1%**	**5.7%**

Sources: "American Community Survey 1-Year Data (2005–2023)," US Census Bureau, 2010–2022; "Decennial Census of Population and Housing Data," US Census Bureau, 1990, 2000; and authors' calculations.

THE EFFECT OF IMMIGRATION ON PROPERTY TAX REVENUES

Figure 1 provides the results of our methodology. In 2023, immigrants paid $88 billion in taxes on the property they owned, spent almost $23 billion on property they rented, and generated another $33 billion in revenues through their beneficial effect on property values. From 1994 to 2023, immigrants generated $1.7 trillion as owners, $513 billion as renters, and $1.1 trillion from property values. The cumulative effect was $3.3 trillion in real terms from 1994 to 2023.

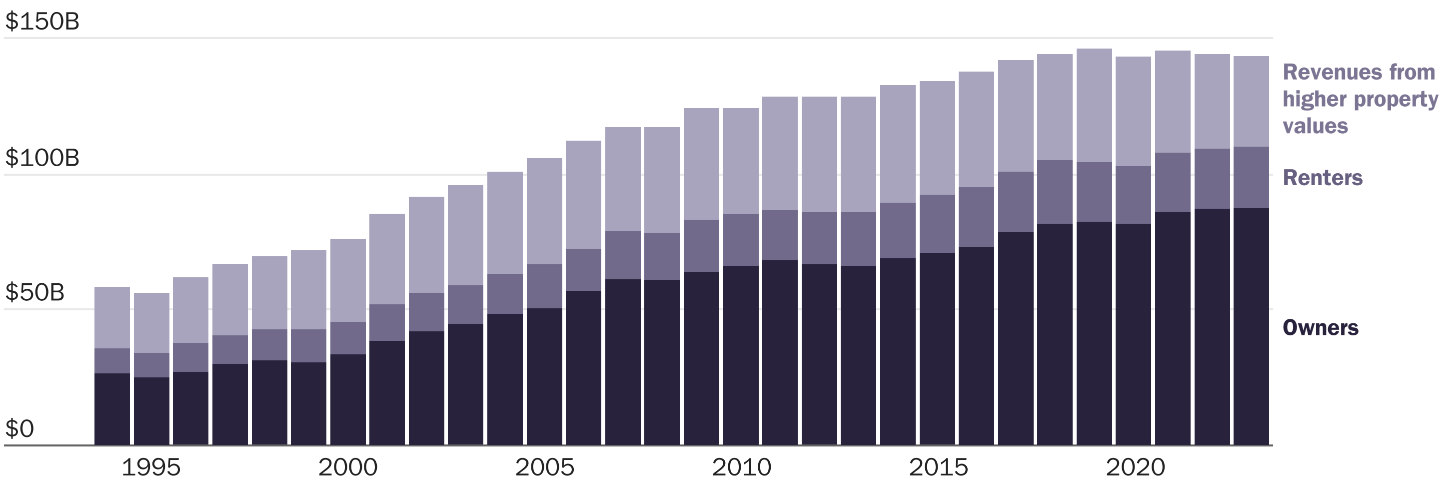
During the average year from 1994 to 2023, the average immigrant generated an additional $988 in indirect revenues from higher property values. The net present value of this effect over 75 years is $29,589. Table 2 compares this effect to the NAS's 2017 estimates of the lifetime fiscal effect of immigration on state and local budgets.[11] Nearly a third of the fiscal benefit of immigrants would come from the property tax effect if it were applied to the NAS model.

However, to show why there is some controversy about immigration's effect on state and local budgets, Table 2 also shows the NAS-calculated effects of immigrants and their descendants. Incorporating descendants makes the average immigrant seem barely positive to state and local governments, netting only $2,589 in 2024 dollars. Incorporating the salutary effect on the average immigrant's

Figure 1

Immigrants have generated more than $3.3 trillion in property taxes since 1994

Property tax revenues from immigrants, 2023 dollars, 1994–2023



Sources: "Annual Social and Economic Supplement," Census Datasets, Data, US Census Bureau, 1994–2023; "American Community Survey 1-Year Data (2005–2023)," US Census Bureau, 2010–2022; "Decennial Census of Population and Housing Data," US Census Bureau, 1990, 2000; and authors' calculations.
Note: Nominal values were adjusted for inflation using the Bureau of Economic Analysis' Personal Consumption Expenditures Price Index.

Table 2

Property values improve effect of immigrants on state and local budgets

75-year effect of immigrants on state and local government budgets, net present value, 2024 dollars

Education	No high school	High school	Some college	Bachelor's degree	Advanced degree	Weighted average	Indirect property effect per immigrant
Immigrants	$12,947	$60,853	$90,632	$139,954	$217,707	$95,811	$29,589
Immigrants + US descendants	–$95,811	–$33,663	–$12,947	$60,906	$141,250	$2,589	

Source: National Academies of Sciences, Engineering, and Medicine, "Chapter 8: Past and Future Fiscal Impacts of Immigrants on the Nation," in *The Economic and Fiscal Consequences of Immigration* (National Academies Press, 2017), Table 8-16.
Note: These numbers reflect the Congressional Budget Office's long-term budget scenario.

property values would improve the fiscal benefits on average more than tenfold.

The true effect, including descendants, is almost certainly much higher. Because the ACS does not ask adults about their parents' birthplaces, we cannot estimate whether the property value effect of US-born children of immigrants is the same as the effect for immigrants. Nonetheless, our results give us good reason to believe there is a significant effect once the children are adults and start seeking housing for themselves. The NAS estimates that the average immigrant has 2.3 children, and those children have two children on average—approximately every 30 years. This means that each immigrant has about 6.9 descendants over 75 years. The 75-year effect is likely even larger than the deficit for all but the high-school-dropout cohort.

While important for evaluating the cost of the immigrant population, the taxes from immigration-induced housing values amount to less than half a percent of total US taxes in 2024.[12] Whether higher home values from immigration actually translate into a higher tax burden for the US-born population depends on whether the state and local governments spend the higher revenues or reduce tax rates. Either way, most homeowners prefer to see their home equity increase, even if it means higher property taxes.[13]

Beyond property tax revenues, the increase in property values would also lead to increased taxes from rental income, higher taxes or fees from property transfers, and more estate taxes from inherited property. Without precise nonpublic tax data, it is impossible to estimate these effects, but incorporating them is likely to increase the beneficial fiscal effects of immigration. In other words, the effect estimated here is the lower bound of the actual effect of immigration on revenues generated from property values.

CONCLUSION

US-born Americans benefit from higher home values more than immigrants because they are more likely to own homes. That said, the purpose of this paper is not to argue that higher home values are necessarily good. If the government stopped restricting the housing supply, the effect of immigration on home values might dissipate. Instead, this paper aims to shed light on an understudied effect of immigration: increased tax revenues via increased property values.

Immigrants increase tax revenues directly and indirectly. Fiscal-effects analyses that estimate only the tax revenues directly paid will miss a significant amount of tax revenue that can be attributed to immigrants. This analysis demonstrates that simply incorporating one indirect effect of immigration can dramatically change estimates of the current fiscal effects of immigration. In addition to the $1.7 trillion in directly paid property taxes as property owners, immigrants also generated $513 billion in taxes as renters and another $1.1 trillion through their positive effects on property values in their roles as consumers.

NOTES

1. "Description," Annual Property Taxes, PROPTAX, IPUMS CPS, Minnesota Population Center, University of Minnesota, 2024.

2. Lyndsey A. Rolheiser, "Commercial Property Tax Incidence Evidence from Urban and Suburban Office Rental Markets," September 4, 2019.

3. Alex Nowrasteh, "JD Vance Is Correct: Immigration Increases Housing Prices, and That's Okay," *Cato at Liberty* (blog), Cato Institute, October 2, 2024.

4. Jacob L. Vigdor, *Immigration and the Revival of American Cities: From Preserving Manufacturing Jobs to Strengthening the Housing Market* (Americas Society/Council of the Americas, September 2013).

5. See Joseph G. Altonji and David Card, "The Effects of Immigration on the Labor Market Outcomes of Less-Skilled Natives," *Immigration, Trade, and the Labor Market* (University of Chicago Press, 1991), pp. 201–34; Gianmarco I. P. Ottaviano and Giovanni Peri, "The Effects of Immigration on US Wages and Rents: A General Equilibrium Approach," in *Migration Impact Assessment: New Horizons*, eds., Peter Nijkamp et al. (Edward Elgar, 2012), pp. 107–46; and Albert Saiz, "Immigration and Housing Rents in American Cities," *Journal of Urban Economics* 61, no. 2 (March 2007): 345–71.

6. Such as median value, vacancy rate, proportion of single-family detached homes, median age of the homes, and total units.

7. Joseph Gyourko, "Understanding Commercial Real Estate: Just How Different from Housing Is It?," National Bureau of Economic Research Working Paper no. 14708, February 2009.

8. We used the average from 2000 to 2022 for 2023 and 1994 to 1999. See Andrew Phillips et al., "Total State and Local Business Taxes: State-by-State Estimates for Fiscal Year 2012," Ernst & Young LLP, 2013, p. 21; Andrew Phillips et al., "Total State and Local Business Taxes: State-by-State Estimates for Fiscal Year 2016," Ernst & Young LLP, revised August 2019, p. 21; Andrew Phillips et al., "Total State and Local Business Taxes: State-by-State Estimates for FY18," Ernst & Young LLP, October 2019, p. 21; and Andrew Phillips et al., "Total State and Local Business Taxes: State-by-State Estimates for FY22," Ernst & Young LLP, December 2023, p. 21.

9. Using the median.

10. "Table 3.3. State and Local Government Current Receipts and Expenditures," National Income and Product Accounts, National Data, Bureau of Economic Analysis, last revised January 30, 2025.

11. National Academies of Sciences, Engineering, and Medicine, "Chapter 8: Past and Future Fiscal Impacts of Immigrants on the Nation," in *The Economic and Fiscal Consequences of Immigration* (National Academies Press, 2017).

12. "Table 3.12. Government Social Benefits," National Income and Product Accounts, National Data, Bureau of Economic Analysis, last revised September 27, 2024.

13. David Dayen, "Homeowners Want Housing Prices to Go Up," *American Prospect*, June 7, 2024.