

THE POWER OF THE PURSE:

The Contributions of Hispanics to America's
Spending Power and Tax Revenues in 2013



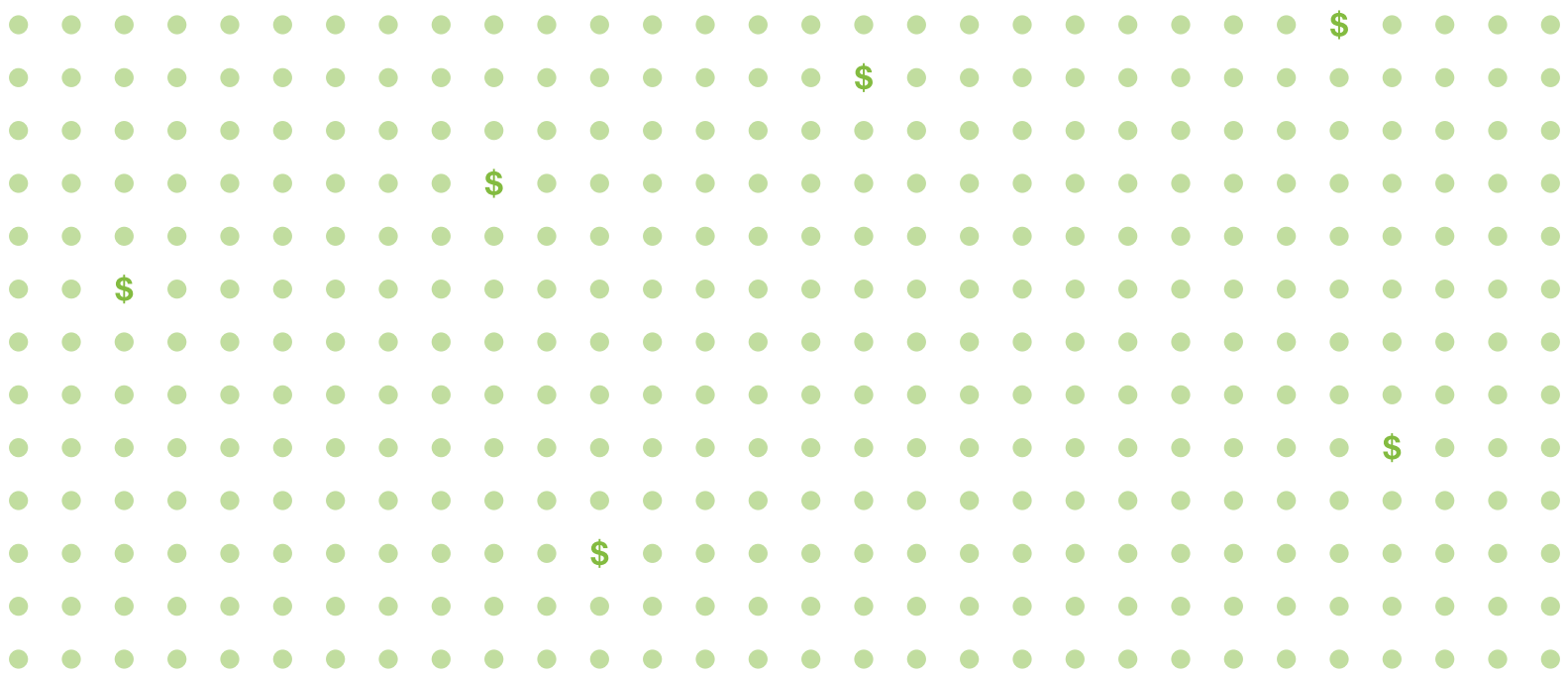
INTRODUCTION

What makes a person a valuable part of a given country's economic story? Individuals can found businesses, creating jobs for other Americans. They can work in the laboratories or research and development offices of large companies, helping to craft the innovations that will power the economy of tomorrow. They can work on our farms and in our restaurants, supporting our agriculture industry and feeding American households. In this brief, we explore another way that individuals can contribute to the economic growth of their community: Simply by their day-to-day spending as consumers. The simple act of purchasing goods (like a new computer) or services (like a haircut) circulates money through our economy—giving businesses the boost they need to hire more workers or stay in operation.

In this brief, we examine the disposable income and tax contributions of the country's 53-million person Hispanic population, including the approximately 19 million foreign-born Hispanic people living in the United States. Using data from the 2013 American Communities Survey, we quantify the income earned by Hispanic households, as well as the income earned by the subset of Hispanics who were born elsewhere. From these figures, we also estimate the total amount such households pay in state and local taxes, as well as their contributions to key federal entitlement programs like Social Security and Medicare.

The findings present a clear and powerful picture. By virtue of their spending power alone, Hispanics in the United States, both native and foreign-born, are major contributors to the health of the American economy. In 2013, roughly one out of every 10 dollars of total consumer spending power in the U.S. was in the hands of Hispanic-led households. With the share of our country's working-age population that is Hispanic expected to grow exponentially in the coming decades,¹ the spending power of Hispanics as consumers will likely rise still further between now and 2050.

¹ Jeffrey S. Passel and D'Vera Cohn, Pew Research Hispanic Trends Project, "U.S. Population Projections: 2005-2050" (Feb. 11, 2008). Accessed Nov. 18, 2014, available here: <http://www.pewhispanic.org/2008/02/11/us-population-projections-2005-2050/>.



KEY FINDINGS

1

Hispanic households, both native and foreign-born, account for a large portion of America's overall spending power. In 2013, Hispanics had an estimated after-tax income of more than \$605 billion. That figure is equivalent to almost one out of every 10 dollars of disposable income held in the United States that year. Foreign-born Hispanic households made up a sizeable portion of that figure: We estimate their spending power totaled \$287 billion that year.

2

The growing earnings of Hispanic households have made them major contributors to U.S. tax revenue. In 2013, Hispanic households contributed more than \$190 billion to U.S. tax revenues as a whole, including almost \$67 billion in state and local tax payments. Of this, foreign-born Hispanics contributed more than \$86 billion in tax revenues nationwide. That included almost \$32 billion in state and local taxes and more than \$54 billion in taxes to the federal government.

3

In some states, Hispanics now account for a large percentage of spending power and tax revenues overall. In both Texas and California, Hispanic households had more than \$100 billion in after-tax income in 2013, accounting for more than one of every five dollars available to spend in each state that year. In Arizona, a state with a rapidly growing Hispanic population, their earnings after taxes accounted for almost one-sixth of the spending power in the state. In Florida, Hispanics contributed more than one out of every six dollars in tax revenue paid by residents of the state.

4

Hispanics, and foreign-born Hispanics in particular, play an important role sustaining America's Medicare and Social Security programs. In 2013, Hispanic households contributed more than \$98 billion to Social Security and almost \$23 billion to the Medicare's core trust fund. Foreign-born Hispanics in particular contributed more than \$46 billion to Social Security, while paying in more than \$10 billion to the Medicare program. Past studies have indicated that in Medicare in particular, immigrants draw down far less than they put in to the trust fund each year, making such tax contributions particularly valuable.²

² Leah Zallman, Partnership for a New American Economy, "Staying Covered: How Immigrants have Prolonged the Solvency of one of Medicare's Key Trust Funds and Subsidized Care for U.S. Seniors," (Aug. 2014). Available here: <http://www.renewoureconomy.org/wp-content/uploads/2014/08/pnae-medicare-report-august2014.pdf>.

PART I

DEMOGRAPHIC BACKGROUND

The U.S. Census Bureau estimates that there are more than 53 million Hispanics living in the United States.³ This represents almost 17 percent of the country's total population—the highest share in U.S. history. A significant share of this population, or almost 19 million, is made up of individuals and families who came to our country from elsewhere. Regardless of their origin, Hispanics play a valuable role maintaining America's overall population growth and ensuring that there is a young, working population supporting America's 76.4 million aging Baby Boomers. The 2010 Census, for example, revealed that between 2000 and 2010, a 54 percent increase in the Hispanic populations in the Great Plains offset double-digit population declines of non-Hispanic whites in the region.⁴

In this report, our interest is on Hispanic households, and specifically, the income they earn and the taxes they pay each year. Hispanics make up an increasing proportion of the working-age population in the United States. More than 38 million Hispanics are ages 16 or above, representing more than 16 percent of the working-age population in America. Foreign-born Hispanics, a population that often comes to fill jobs that few Americans are interested in or able to perform,⁵ consistently punch above their weight class in the workforce as well. While six percent of the country's total population was made up of Hispanic immigrants in 2013, they accounted for almost eight percent of the working population that year.

TABLE 1:
Size of Hispanic Population, Overall and Foreign-born,
Total and Employed Populations, 2013

	Total Population (in millions)	Employed Population, Aged 16 and Over
All Hispanics	54.0	24.0
Foreign-born Hispanics	19.0	11.7
US Overall	316.1	147.1
<i>Percent Hispanic</i>	<i>17.1%</i>	<i>16.3%</i>
<i>Percent Foreign-born Hispanic</i>	<i>6.0%</i>	<i>7.9%</i>

As we look to the future, the size and importance of the native and foreign-born Hispanic populations will likely only increase. A study by Pew Research Center found that between 2008 and 2050 a vast majority—or 93 percent—of all growth in the country's working-age population will be made up of immigrants and their U.S.-born children.⁶ Given that almost half of all immigrants today identify as Hispanic—and more than a quarter of all new births in the country are to Hispanic mothers—Hispanics will continue to have an expanding role in the workforce in the decades to come.⁷

³ Data from the 2013 American Community Survey 1 year sample: IPUMS-USA, University of Minnesota, www.ipums.org

⁴ A. G. Sulzberger, "Hispanics Reviving Faded Towns on the Plains," *New York Times*, (November 11, 2011). Accessed on November 10, 2014, available here: <http://www.nytimes.com/2011/11/14/us/as-small-towns-wither-on-plains-hispanics-come-to-the-rescue.html>.

⁵ Research conducted by the Partnership for a New American Economy and the Brookings Institution has found that immigrants often cluster at the low and high end of the skill spectrum. As more Americans seek out higher education, immigrants also fill holes in our less-skilled workforce. See:

⁶ Pew Research Center, "Second-Generation Americans: A Portrait of the Adult Children of Immigrants," Washington D.C. (February 7, 2013). Accessed November 3, 2014, available here: <http://www.pewsocialtrends.org/2013/02/07/second-generation-americans/>.

⁷ J. Passel et al., Pew Research Center, "Explaining Why Minority Births Now Outnumber White Births," Washington D.C. (May 17, 2012). Accessed November 11, 2014, available here: <http://www.pewsocialtrends.org/2012/05/17/explaining-why-minority-births-now-outnumber-white-births/>.

PART II

THE SPENDING POWER OF HISPANICS

Beyond their population size, Hispanics play a large role driving the U.S. economy. Through their spending, they increase demand for goods, services, and homes, helping businesses across the country grow and creating jobs for other Americans.

To quantify the spending power of Hispanics, we look at annual income of Hispanics and subtract the taxes they pay at the federal, state and local levels to calculate their disposable income. Using this methodology, we estimate that in 2013 Hispanics had an estimated spending power of more than \$605 billion—a figure equivalent to almost one out of every 10 dollars of disposable income in the country. To put that figure in context, that amount is well over the annual revenue of Wal-Mart⁸ and more than three times the annual revenue of Apple.⁹ Looking specifically at Hispanic immigrant households, we estimate that as a group, they have a combined after-tax income of more than \$287 billion dollars annually, almost double the annual revenue of General Electric in 2013.¹⁰

TABLE 2:
National Estimates for the Spending Power of Hispanic Households, Overall and Foreign-born, for and all U.S. Households, 2013

	Spending Power (in billions)
All Hispanics	\$605.4
Foreign-born Hispanics	\$287.6
Total U.S. Population	\$6,261.5

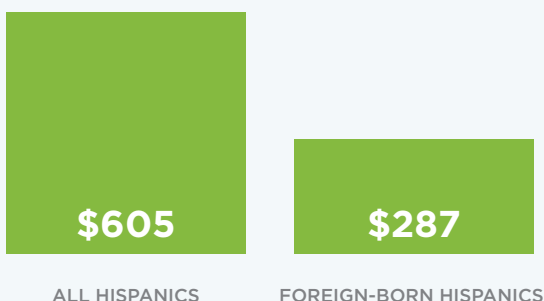
⁸ Walmart reported annual revenues of \$476 billion for FY2014. Source: Walmart, "Walmart 2014 Annual Report," (March 21, 2014). Accessed November 10, 2014, available here: <http://cdn.corporate.walmart.com/66/e5/9ff9a87445949173f-de56316ac5f/2014-annual-report.pdf>.

⁹ Apple reported annual revenues of \$182 billion for the 12-month period ending on September 27, 2014. Source: Apple, Inc., "Apple Reports Fourth Quarter Results" (October 20, 2014). Accessed November 10, 2014, available here: <http://www.apple.com/pr/library/2014/10/20Apple-Reports-Fourth-Quarter-Results.html>.

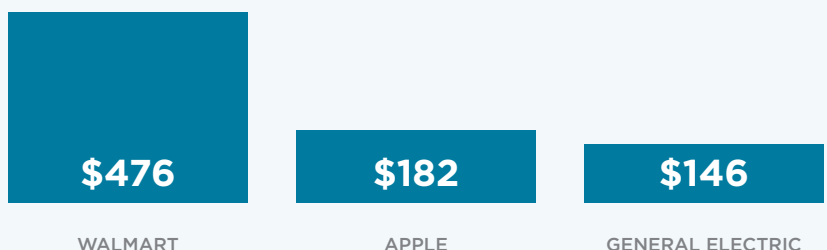
¹⁰ General Electric reported annual revenues of \$146 billion for 2013. Source: General Electric, "GE Works: 2013 Annual Report" (February 2014). Accessed November 10, 2014, available here: http://www.ge.com/ar2013/pdf/GE_AR13.pdf.

FIGURE 1:
Putting 2013 Hispanic Spending Power Trends in Context

2013 SPENDING POWER (IN BILLIONS)



ANNUAL REVENUE (IN BILLIONS)



PART III

HISPANIC SPENDING POWER BY STATE

While these numbers are already impressive on a national level, when we look at specific states, the percentages of state residents' total spending power accounted for by Hispanic households alone highlights the importance of this community at the state and local level. In California and Texas, states with large Hispanic communities, the Hispanic spending power reaches more than \$100 billion per state. California's Hispanic population has an estimated annual spending power of more than \$161 billion, while in Texas, Hispanic households contribute as much as \$109 billion in spending power to the state's economy each year. In Florida, another state with a sizeable Hispanic population, Hispanic households have a combined annual spending power of more than \$56 billion, meaning that almost one out of every six dollars of spending income in that state's economy is in the hands of Hispanic households.

FIGURE 2:
Hispanic Spending Power Across the United States, 2013

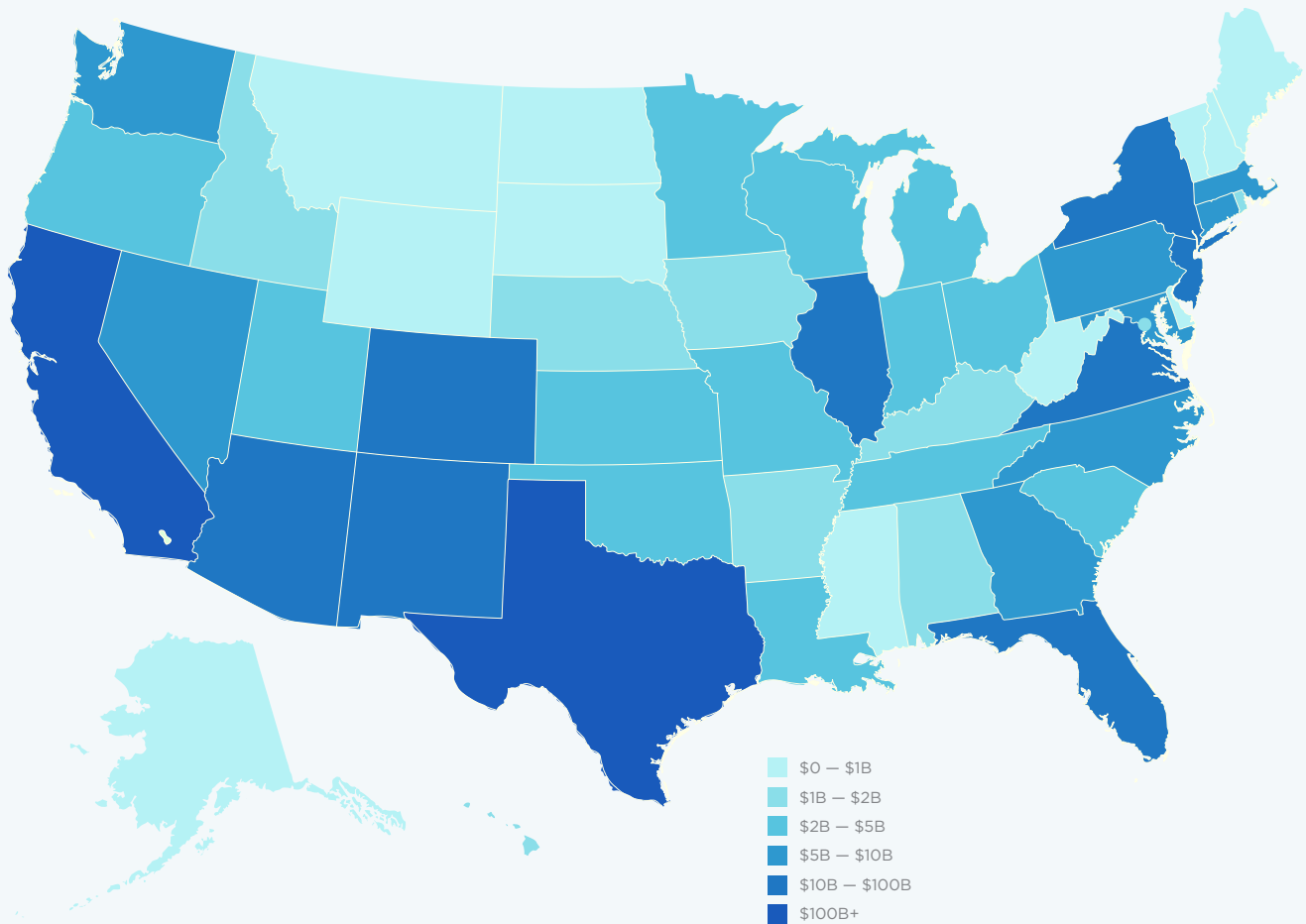
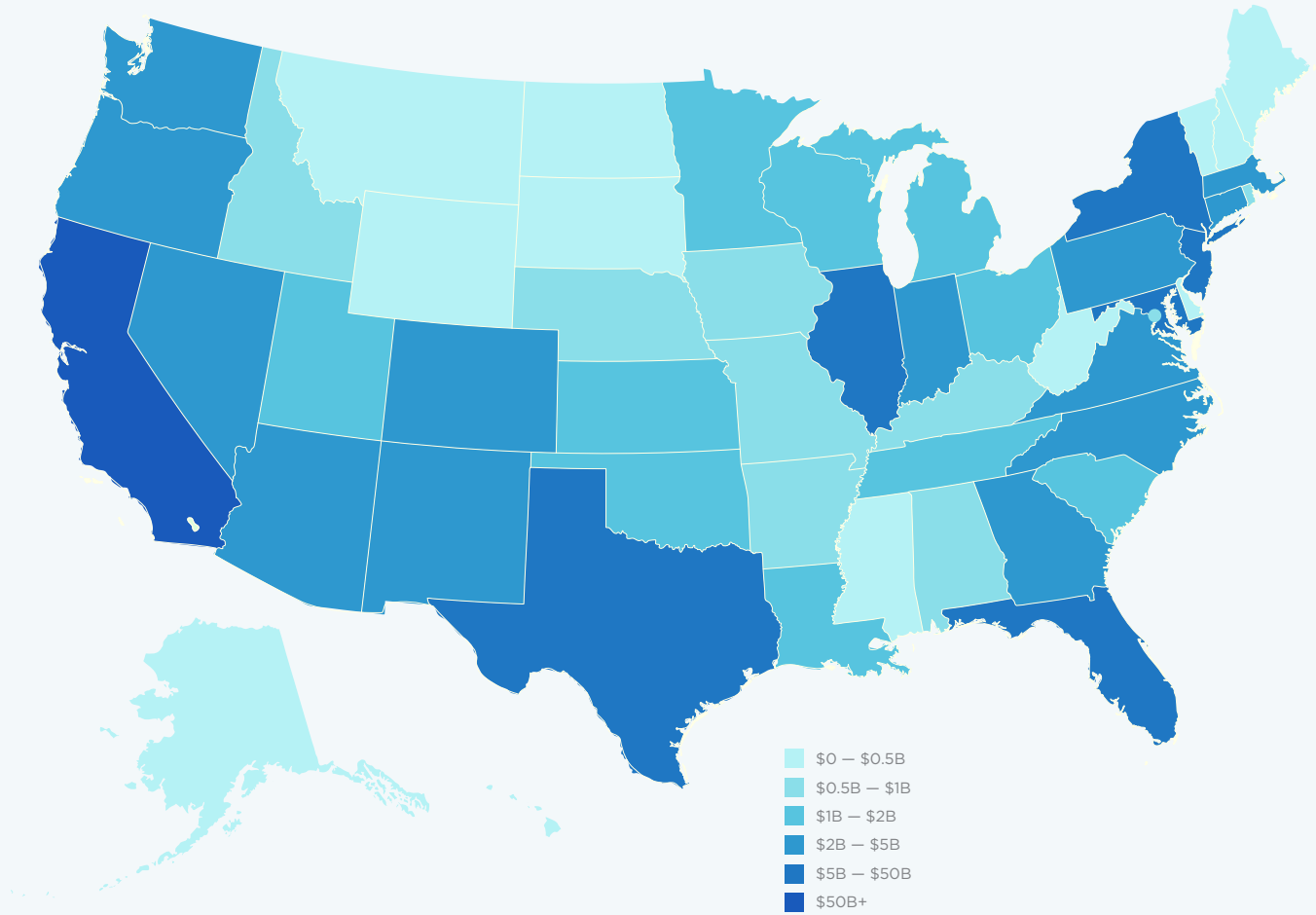


FIGURE 3:
Foreign-Born Hispanics Spending Power Across the United States, 2013



Source: Author's calculations from data taken from IPUMS, 2013 American Community Survey, 1-Year Sample.

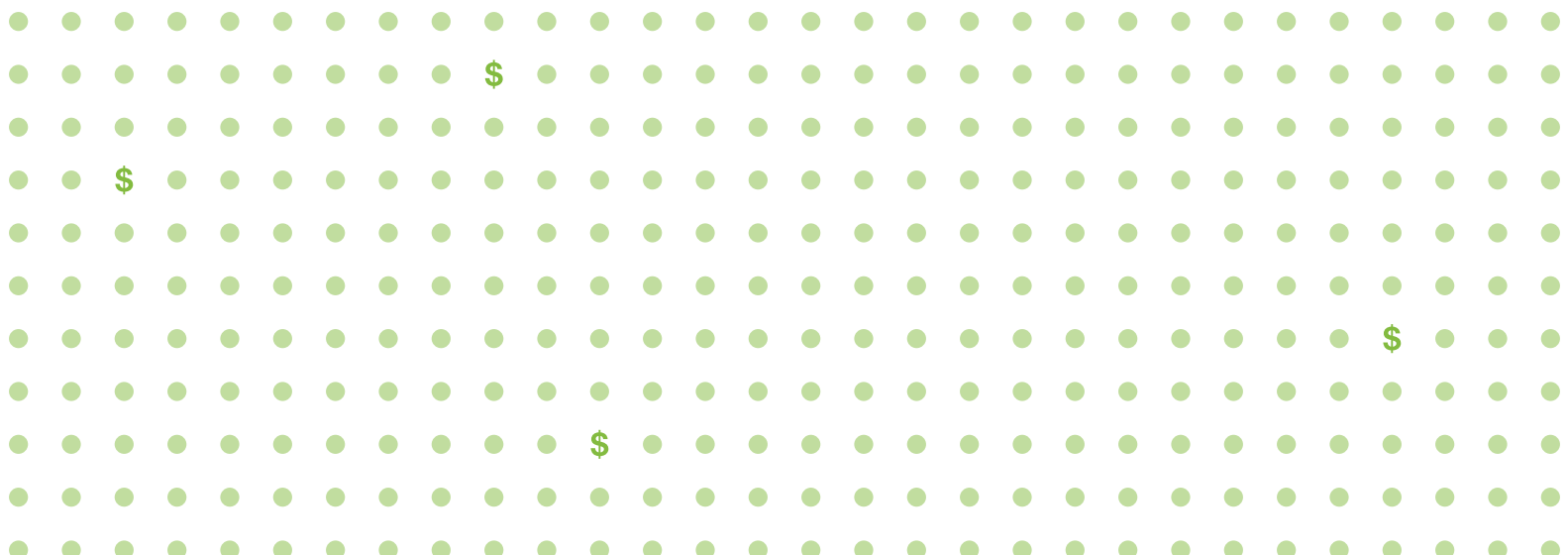


TABLE 3:
Spending Power of Hispanics, Overall and Foreign-born, in Selected States, 2013

	Spending Power (in billions)	Percent of Total Spending Power
CALIFORNIA	All Hispanics	\$161.0 20.6%
	Foreign-Born Hispanics	\$81.6 10.5%
	All Residents	\$780.8 100%
TEXAS	All Hispanics	\$109.7 22.2%
	Foreign-Born Hispanics	\$42.7 8.6%
	All Residents	\$493.8 100%
FLORIDA	All Hispanics	\$56.6 16.0%
	Foreign-Born Hispanics	\$33.7 9.5%
	All Residents	\$354.3 100%
ARIZONA	All Hispanics	\$18.8 16.0%
	Foreign-Born Hispanics	\$6.7 5.7%
	All Residents	\$117.2 100%
COLORADO	All Hispanics	\$12.3 13.1%
	Foreign-Born Hispanics	\$3.8 3.2%
	All Residents	\$117.1 100%
GEORGIA	All Hispanics	\$8.5 4.8%
	Foreign-Born Hispanics	\$5.2 3.0%
	All Residents	\$174.8 100%

**TABLE 3 (CONTINUED):
Spending Power of Hispanics, Overall and Foreign-born, in Selected States, 2013**

NEVADA

	Spending Power (in billions)	Percent of Total Spending Power
All Hispanics	\$8.1	15.7%
Foreign-Born Hispanics	\$4.6	8.9%
All Residents	\$51.5	100%

NORTH CAROLINA

	Spending Power (in billions)	Percent of Total Spending Power
All Hispanics	\$7.5	4.2%
Foreign-Born Hispanics	\$4.5	2.5%
All Residents	\$178.0	100%

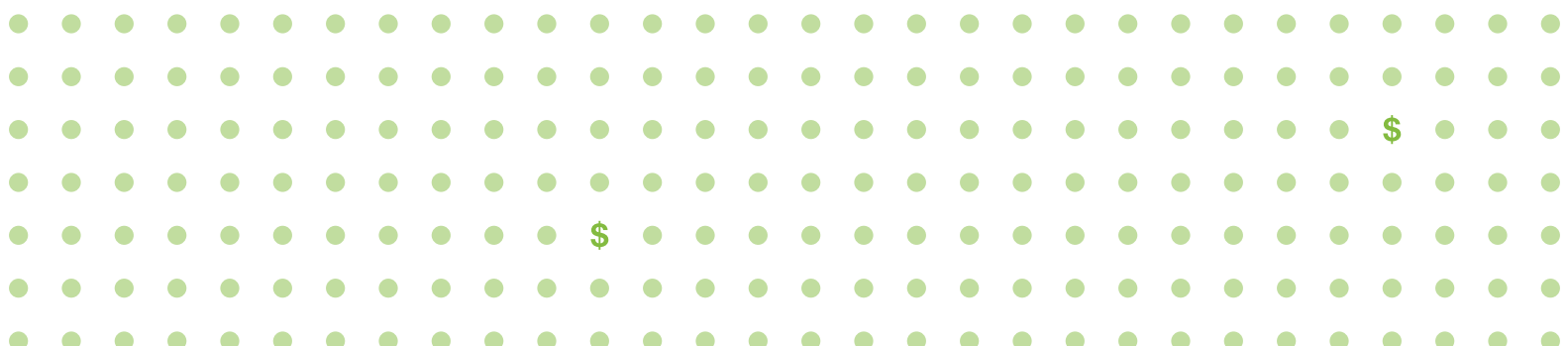
UTAH

	Spending Power (in billions)	Percent of Total Spending Power
All Hispanics	\$3.7	7.4%
Foreign-Born Hispanics	\$1.8	3.6%
All Residents	\$49.8	100%

Several studies have already shed light on the size and economic clout of Hispanics. Most recently, data analysis from the U.S. Census Bureau showed that Hispanics were the first ethnic group to show an increase in median real incomes since the economic crisis of 2008: Between 2012 and 2013, median household income of Hispanics in the U.S. rose by 3.5 percent, reaching \$40,963, while all other groups saw statistically insignificant changes. The same report also showed that Hispanics were also the only ethnic group to show a significant decline in poverty over the same period¹¹ A Pew Research Center study using the same dataset found that this likely indicative of an improving labor market situation for Hispanics and increases in educational attainment as a group, especially as better-educated and assimilated native-born Hispanics age into the workforce.¹²

11 C. DeNavas-Walt and B. Proctor, United States Census Bureau, "Income and Poverty in the United States: 2013 Current Population Reports," Washington D.C. (2014).

12 J. M. Krogstad, Pew Research Center, "Hispanics only group to see its poverty rate decline and incomes rise," (September 19, 2014). Accessible at: <http://www.pewresearch.org/fact-tank/2014/09/19/hispanics-only-group-to-see-its-poverty-rate-decline-and-incomes-rise/>.



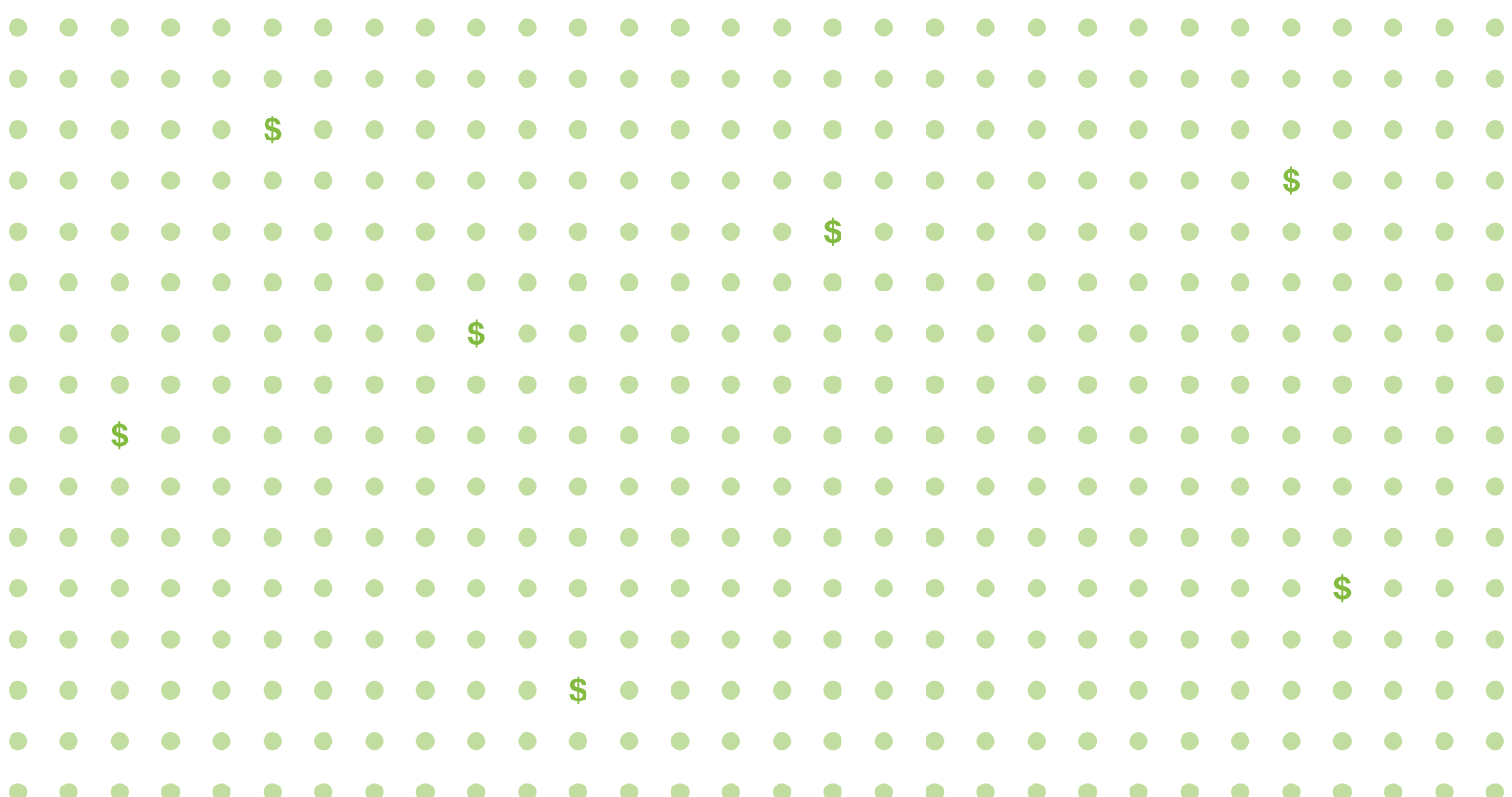
It is also worth noting that the figures reported here are likely highly conservative estimates of the full amount of disposable funds Hispanic families can contribute to the U.S. economy as consumers. The main reason for this lies in both the chronic underreporting of income in the American Communities Survey and inherent limitations of survey sampling. Although U.S. Census data serves as the official data source used by the U.S. Government to measure poverty and income statistics, a U.S. Census Bureau study acknowledged that many individuals—in particular low income households, to which Hispanics belong disproportionately more so than the non-Hispanic population—often significantly underreport their income. A Institute for Research on Poverty at the University of Wisconsin study reported that at least half of families with incomes lower than \$15,000 had underreported their income by more than 20 percent on Census counts.¹³ Additionally, different sources are underreported at different rates. While wage and Social Security income underreporting is relatively small (5 to 8 percent), other forms of income, such as self-employment, interest, or dividend income can be significantly underreported, to levels as high as 50 percent for some populations.¹⁴

As such, our figures are likely to be lower than other reports on the same topic that have tried to account for such underreporting. Most prominently, a 2013 report from the Selig Center for Economic Growth at the University of Georgia estimated Hispanic purchasing power that at over \$1.1 trillion per year.¹⁵ Our figures should not be viewed as conflicting with that study. While our calculations focus mostly on income earned in the workplace, that report makes major adjustments to reported income figures, and also takes into account earnings from a variety of other sources, including rental income, nonprofit-related earnings, and pension plans. We chose to use U.S. Census Data as it is a reliable, conservative estimate for earned income for all demographic groups in the United States, including Hispanics. Our approach also allows us the unique advantage of being able to quantify Hispanics' expected contributions in taxes and to federal programs such as Social Security and Medicare in 2013 as a function of their earnings. (For more on how our estimates different from past analyses see the Methodology Appendix.)

13 V. Joseph Hotz and John Karl Scholz, (1999) "Measuring Employment and Income for Low-Income Populations with Administrative and Survey Data," Institute for Research on Poverty Discussion Papers 1224-01, University of Wisconsin Institute for Research on Poverty.

14 J.C. Moore et al., U.S. Census Bureau, "Income Measurement Error in Surveys: A Review," Washington D.C. (1997). Accessed on November 10, 2014, accessible here: <https://www.census.gov/srd/papers/pdf/sm97-05.pdf>

15 J. Humphreys, The Selig Center, University of Georgia, "The Multicultural Economy," Athens, GA (2013).



PART IV

TAX CONTRIBUTIONS OF HISPANIC HOUSEHOLDS

Providing increased demand in U.S. domestic markets is not the only way by which Hispanic households contribute significantly to the American economy. Hispanics in the U.S., whether native or foreign-born are also major contributors to federal, state and local budgets, by virtue of their role as taxpayers. Federal taxes paid by Hispanic households go towards funding federal services—including the military, Social Security and Medicare—that benefit all Americans. Meanwhile, through their contributions in state and local taxes, Hispanic households help pay for critical local services like school districts, police and fire safety, local road and street maintenance, as well as emergency medical services.

FEDERAL AND STATE AND LOCAL TAXES

Nationwide, Hispanic households are estimated to contribute more than \$123 billion in federal taxes and almost \$67 billion in state and local taxes. In total, Hispanics pay \$190 billion in taxes each year. The contribution of Hispanic immigrants to that total is a quite sizeable one. In 2013, Foreign-born Hispanic households paid a total of more than \$86 billion in taxes—more than \$54 billion to the federal government and almost \$32 billion at the state and local level.

TABLE 4:
National Estimates for Federal, State, and Local Taxes Paid by
Hispanic Households, Overall and Foreign-Born, 2013

	Federal Tax Contribution (in billions)	State and Local Tax Contribution (in billions)	Total Tax Contribution (in billions)
All Hispanics	\$123.9	\$66.7	\$190.6
Foreign-Born Hispanics	\$54.3	\$31.9	\$86.2
Total U.S. Population	\$1,562.1	\$729.7	\$2,291.9

For the same states as we featured above, the numbers show similarly significant portions of taxes are paid by Hispanic households. In California, Hispanic households paid more than \$17 billion in state and local taxes, or approximately 20 percent of all state and local taxes for the state. Of this, foreign-born households in particular contributed almost \$9 billion in tax revenues to the state. In Texas, Hispanic households contribute almost 23 percent of state and local tax revenue, or more than \$11 billion dollars, while Hispanic immigrant households in the Lone Star State contribute well over \$4 billion in state and local taxes.

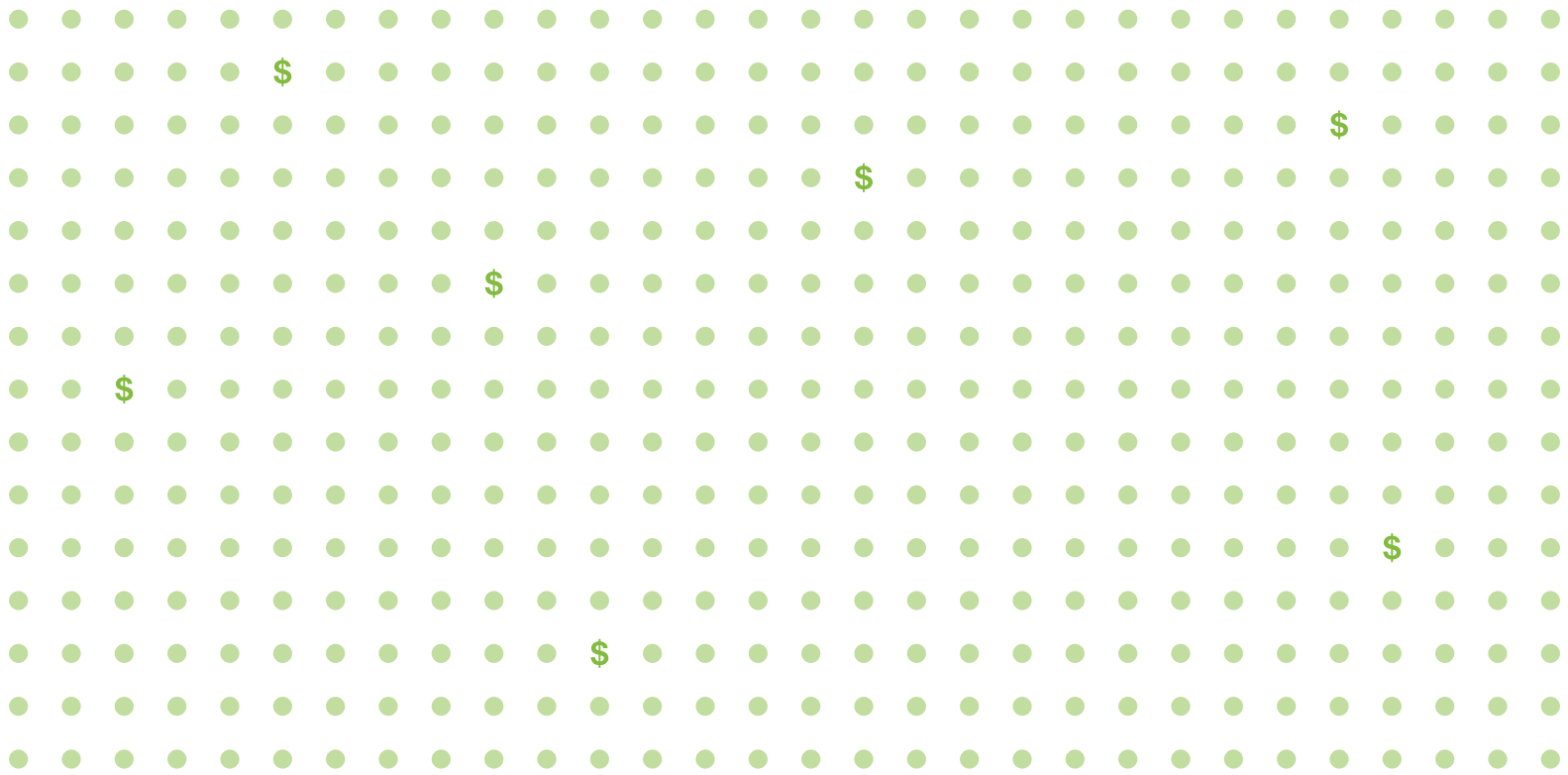


TABLE 5:
Tax Contributions of Hispanic Households in Selected States, 2013

	All Residents (In billions)	Hispanics (in billions)	Foreign-Born Hispanics (in billions)
CALIFORNIA	Federal	\$210.6	\$15.6
	State/Local	\$86.3	\$8.8
	Combined Taxes	\$296.9	\$24.4
TEXAS	Federal	\$120.7	\$8.4
	State/Local	\$49.4	\$4.6
	Combined Taxes	\$170.1	\$13.0
FLORIDA	Federal	\$80.4	\$8.0
	State/Local	\$34.1	\$3.1
	Combined Taxes	\$114.5	\$11.1
ARIZONA	Federal	\$27.2	\$1.2
	State/Local	\$13.5	\$0.8
	Combined Taxes	\$40.7	\$2.0
COLORADO	Federal	\$29.6	\$0.7
	State/Local	\$11.6	\$0.4
	Combined Taxes	\$41.2	\$1.1
GEORGIA	Federal	\$41.8	\$1.0
	State/Local	\$21.3	\$0.6
	Combined Taxes	\$63.1	\$1.6

**TABLE 5 (CONTINUED):
Tax Contributions of Hispanic and Latin American Immigrants in Selected States, 2013**

	All Residents (In billions)	Hispanics (in billions)	Foreign-Born Hispanics (in billions)
NEVADA			
Federal	\$11.4	\$1.7	\$0.9
State/Local	\$4.0	\$0.6	\$0.4
Combined Taxes	\$15.4	\$2.3	\$1.3
NORTH CAROLINA			
Federal	\$40.8	\$1.6	\$0.9
State/Local	\$21.3	\$0.9	\$0.5
Combined Taxes	\$62.1	\$2.5	\$1.4
UTAH			
Federal	\$11.9	\$0.7	\$0.3
State/Local	\$5.4	\$0.4	\$0.2
Combined Taxes	\$17.3	\$1.1	\$0.5



CONTRIBUTIONS TO SOCIAL SECURITY AND MEDICARE

With many policymakers and Americans expressing worry about the future viability of Social Security and Medicare programs, identifying growing streams of funding will be paramount. Given that the earnings and tax contributions of Hispanic households have been increasing, these communities will likely continue to play an ever-increasing role in ensuring the continuation of these programs in the coming decades. In 2013, Hispanic households contributed an estimated \$98 billion each year to Social Security and almost \$23 billion to Medicare through payroll taxes. Digging deeper into this figure, we find that foreign-born Hispanics contributed more than \$46 billion to Social Security, while paying almost \$11 billion into Medicare. These numbers are substantial. To put them in perspective, the total contributions of Hispanics to funding Social Security and Medicare—more than \$121 billion—almost equals AT&T’s total revenues for 2013.¹⁶

Moreover, numerous studies have shown that Hispanics, and in particular those that are foreign-born, contribute more to funding services than they use. A 2014 study from the Partnership for a New American Economy estimated that immigrants contributed a net of \$182.4 billion to Medicare between 1996 and 2011, while the U.S.-born population generated a deficit of \$68.7 billion during the same period.¹⁷ Additionally, over the next 50 years, immigrants are expected to contribute \$407 billion more to Social Security than they take out, an amount that will significantly improve the fiscal solvency of the entire Social Security system.¹⁸

Given that Hispanics in particular have a much younger median age compared to the rest of the population—27.8 years versus 37.4 years, and 18 years for native-born Hispanics¹⁹—it is likely that Hispanics will continue to be larger contributors to Social Security and Medicare than they are beneficiaries for next several decades.

¹⁶ AT&T reported annual revenues of \$128.8 billion in 2013. Source: AT&T, “mobilizing our world: 2013 Annual Report” (February 2014). Accessed December 2, 2014, available here: http://www.att.com/Investor/ATT_Annual/2013/downloads/ar2013_annual_report.pdf.

¹⁷ Leah Zallman, Partnership for a New American Economy, “Staying Covered: How Immigrants Have Prolonged the Solvency of One of Medicare’s Key Trust Funds and Subsidized Care for U.S. Seniors” (August 2014). Accessed November 3, 2014, available here: <http://www.renewoureconomy.org/wp-content/uploads/2014/08/pnae-medicare-report-august2014.pdf>.

¹⁸ Stuart Anderson, National Foundation for American Policy, “The Contribution of Legal Immigration to the Social Security System,” (March 2005). Accessed November 10, 2014, available here: <http://www.nfap.com/researchactivities/studies/SocialSecurityStudy2005Revised.pdf>.

¹⁹ Paul Taylor et al., Pew Research Center, (2012).

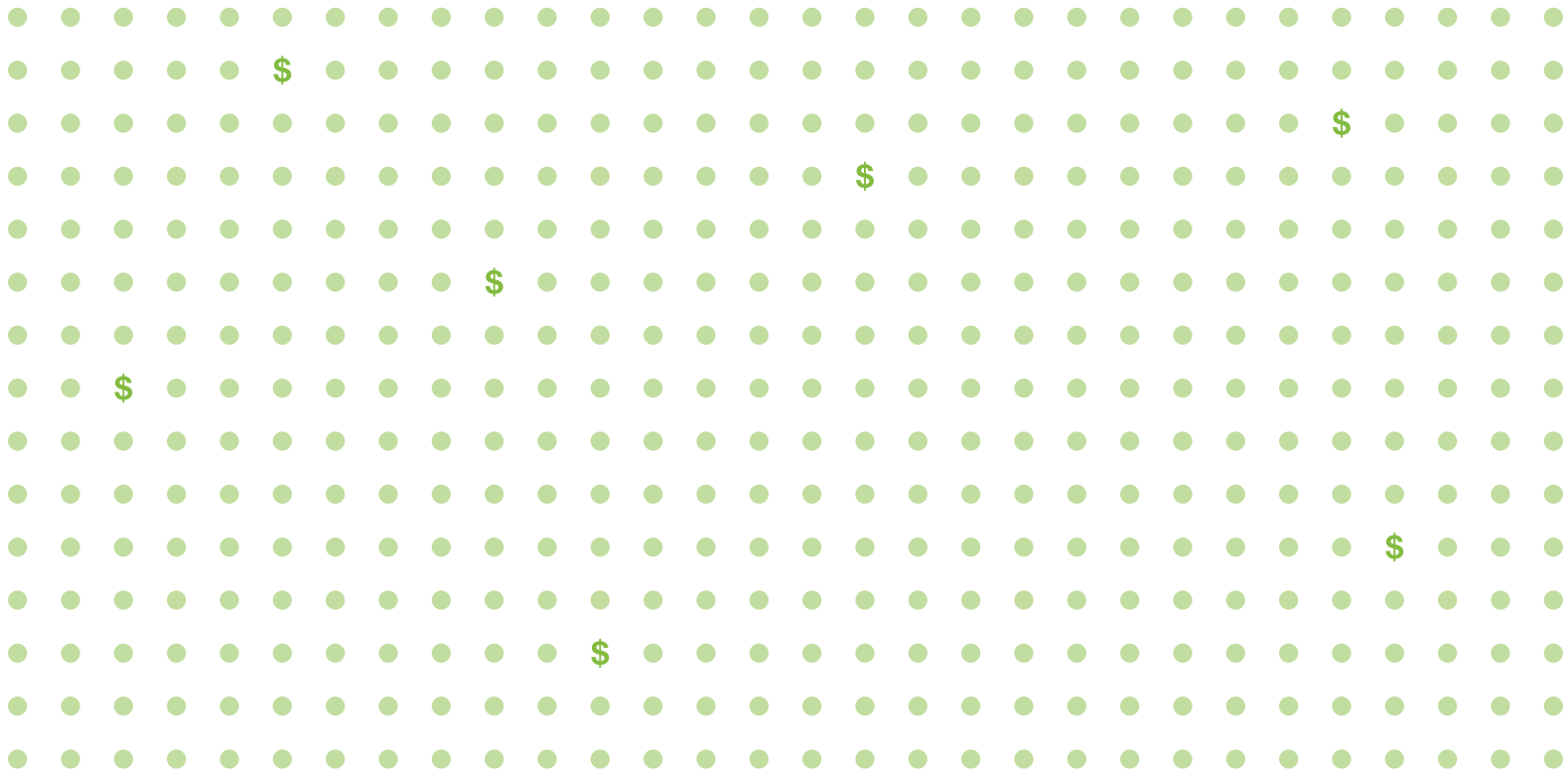


TABLE 6:
Contributions by Hispanics, Overall and Foreign-Born to Social Security and Medicare

NATIONAL TOTALS	Social Security (in billions)		Medicare (in billions)
	All Hispanics	Foreign-Born Hispanics	
	\$98.3	\$46.2	\$22.9
			\$10.8

ARIZONA	Social Security (in billions)		Medicare (in billions)
	All Hispanics	Foreign-Born Hispanics	
	\$3.1	\$1.1	\$0.7
			\$0.3

CALIFORNIA	Social Security (in billions)		Medicare (in billions)
	All Hispanics	Foreign-Born Hispanics	
	\$26.4	\$13.2	\$6.2
			\$3.1

COLORADO	Social Security (in billions)		Medicare (in billions)
	All Hispanics	Foreign-Born Hispanics	
	\$2.0	\$0.5	\$0.6
			\$0.1

FLORIDA	Social Security (in billions)		Medicare (in billions)
	All Hispanics	Foreign-Born Hispanics	
	\$9.4	\$5.5	\$2.2
			\$1.3

GEORGIA	Social Security (in billions)		Medicare (in billions)
	All Hispanics	Foreign-Born Hispanics	
	\$1.4	\$0.9	\$0.3
			\$0.2

NEVADA	Social Security (in billions)		Medicare (in billions)
	All Hispanics	Foreign-Born Hispanics	
	\$1.3	\$0.7	\$0.3
			\$0.2

**TABLE 6 (CONTINUED):
Contributions by Hispanics, Overall and Foreign-Born to Social Security and Medicare**

NORTH CAROLINA

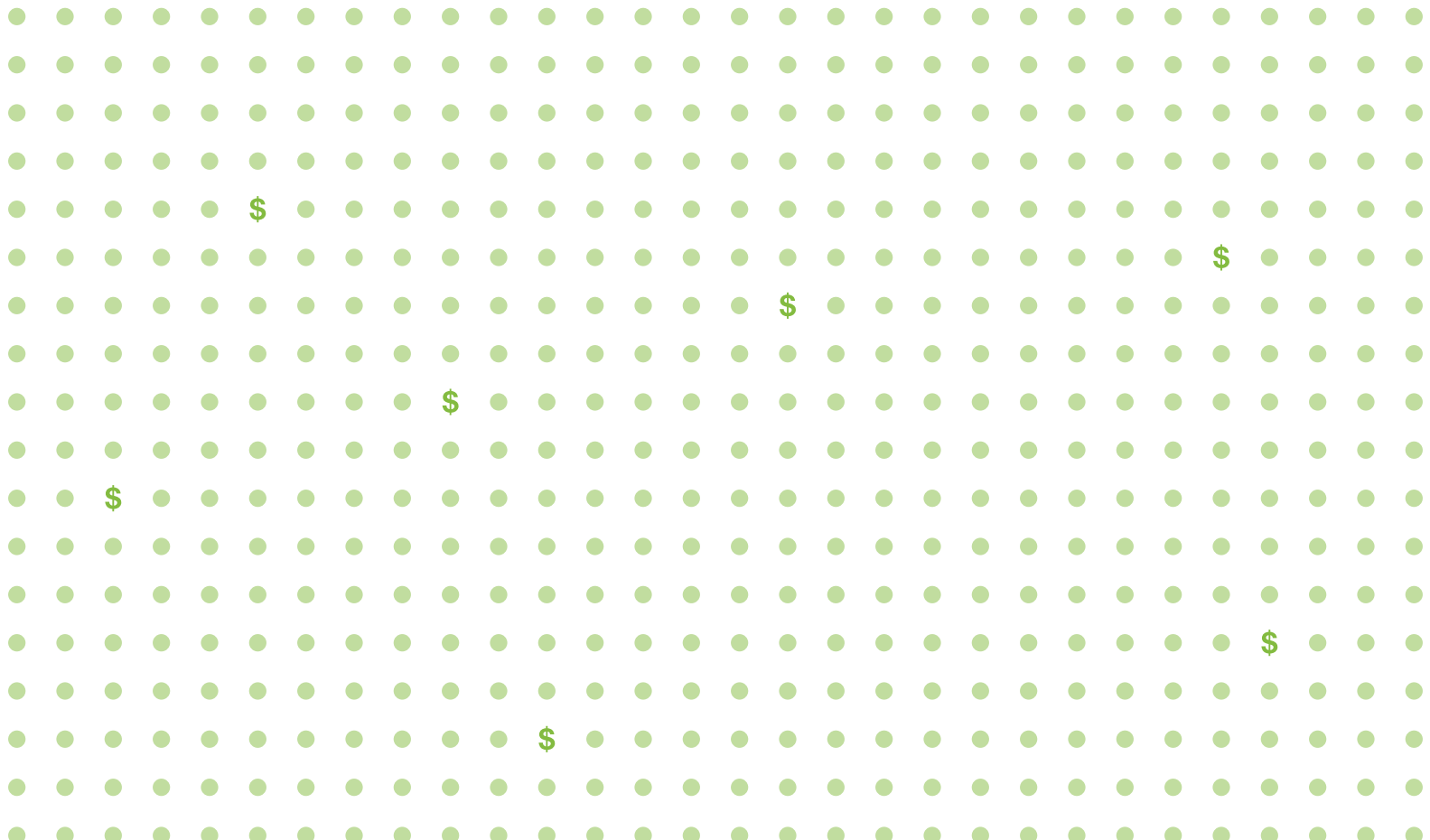
	Social Security (in billions)	Medicare (in billions)
All Hispanics	\$1.2	\$0.3
Foreign-Born Hispanics	\$0.7	\$0.2

TEXAS

	Social Security (in billions)	Medicare (in billions)
All Hispanics	\$17.9	\$4.2
Foreign-Born Hispanics	\$6.9	\$1.6

UTAH

	Social Security (in billions)	Medicare (in billions)
All Hispanics	\$0.6	\$0.1
Foreign-Born Hispanics	\$0.3	\$0.1



PART V

CONCLUSION

This data shines light on the demographic and economic importance of Hispanics in the United States today. While the figures for Hispanics are already impressive—nearly one in six people in the United States are Hispanic and almost one in 10 dollars of disposable income can be found in their wallets—these numbers are expected to continue to grow significantly in the coming decades. Hispanics currently are the youngest ethnic group on average in the country.²⁰ What's more, two thirds of young America's young Hispanics, those between the ages of 16 and 25, were born in America.²¹ Given that U.S.-born Hispanics are more likely to attain higher levels of education and go on to work in higher skilled, better paid, jobs than their foreign-born counterparts,²² this makes it likely that the economic power of Hispanics in the country will soon be much larger than documented here. In states where Hispanics form a majority or a large plurality of all youths aged 16 to 25, such as New Mexico (where they are 51 percent of all youth), California (42 percent), Texas (40 percent), and Arizona (36 percent), this demographic shift could have particularly powerful economic implications.²³

Depending on what happens with immigration reform—either at the national or state level—the power of foreign-born Hispanic immigrants could also continue to grow as well. Some immigration reform proposals have discussed adding as many as 300,000 additional immigrant farm workers to our economy,²⁴ a group that typically is largely sourced from Mexico or Central America.²⁵ Given the absence of movement on the national level on immigration reform in recent months, some states and localities are taking their own action to welcome immigrants, helping them start new businesses or earn citizenship. The governor of Michigan, for instance, recently established a statewide Office for New Americans to focus on attracting immigrant innovators and entrepreneurs, as well as legal immigrant agriculture and hospitality workers, to help grow the state's economy.²⁶ Similar efforts are underway in Nashville and Atlanta, where mayors have recently announced plans to create citywide executive offices focused on immigrant integration.^{27 28} If state and local efforts are successful, the earnings of Hispanic immigrants could see a substantial boost: Gaining citizenship has been estimated to raise the earnings of a migrant by an average of 8 to 11 percent above what they would have earned otherwise,²⁹ a factor that could drive up the purchasing power of immigrants, as well as their contributions to America's tax base.

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26 Michigan Office for New Americans [Website], "About Us" page. Accessed Nov. 15, 2014, available here: <http://www.michigan.gov/ona/0,5629,7-323-67452---,00.html>.

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APPENDIX: METHODOLOGY

The statistical data for this report comes mainly from the 2013 American Communities Survey (ACS), using data taken directly from American FactFinder and from the Integrated Public Use Microdata Series (IPUMS) database on total household income as well as a slate of demographic and economic characteristics.

For the purposes of this report, we define spending power as the combined annual earned income of a given population minus their combined federal, state, and local tax payments. As such, spending power was calculated using IPUMS 1-year ACS data on total aggregated household income, minus total federal, state, and local taxes. This was done for each demographic in question (all residents, Hispanics overall, and foreign-born Hispanics) by income quintile for each state and nationally for calculations of federal tax contributions.

Estimates for average Federal tax rates for each income quintile were taken from a 2014 Congressional Budget Office report.³⁰ Meanwhile, average burdens of state and local taxes by income quintile for each state were taken from a 2013 Institute on Taxation and Economic Policy report, a nonpartisan think tank based in Washington, DC.³¹

Rates for Hispanic and Latin American immigrants' contributions to Social Security and Medicare were calculated using a flat tax rate of 12.4 percent for Social Security and 2.9 percent for Medicare. This is similar to the methodology used in several other studies on immigrant contributions to these government funds, including a report prepared for the Partnership for a New American Economy by an instructor at Harvard School of Medicine.^{32 33}

As compared to the Selig Center Study:

Our report, as mentioned above, relies on U.S. Census data. A comparable report, by the Selig Center for Economic Growth at the University of Georgia relied on a far different data source, data on total personal income in the United States as calculated by the Bureau of Economic Analysis (BEA). BEA data on income differs from U.S. Census income data in its estimates of income, as it calculates disposable income to include income received through property, including but not limited to, rental income; goods and services exchanged with non-profits, such as churches and community organizations; and income received from pension plans.³⁴ Using the BEA's estimate for total personal income, the Selig Center allocated a share to each ethnic group according to their population size and average per capita income, making adjustments for each group in each geographical location. This differs from our approach, which seeks to measure the aggregated earnings, or, in economic terms, the "money income," of Hispanics using the most recent U.S. Census Bureau data. Our approach allows us to generate a snapshot of not only the spending power of Hispanics, but also their expected contributions in taxes and to federal programs such as Social Security and Medicare in 2013. Our estimate, however, should be viewed as the floor of the total disposable funds from all sources that Hispanics and Hispanic immigrants likely contribute to the U.S. economy.

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31 Institute on Taxation and Economic Policy, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," (January, 2013). Accessed December 3, 2014.

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34 Ibid.