

EITC and Immigration

The Tax That Keeps On Taking

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The following appended remarks were delivered by Dr. Edwards at the National Press Club, Washington, D.C. on April 14, 2009.

Tomorrow is Tax Day, that perennial date that recurs in infamy. All of us who work for a living, who (unlike a number of Obama appointees) pay our taxes, accept Tax Day with resignation. We look forward to Tax Freedom Day—still several days off—when our earnings for this year stop going to the government and stay with us.

This is the perfect time to examine facets of the tax code with which we may not be familiar, such as the Earned Income Tax Credit (EITC). Ed Rubenstein's latest report exposes a combination that cruelly, needlessly adds to the tax burden that each of us bears. The EITC is an unfair transfer of wealth. Mass immigration today effectively imports poverty. The combination of these two makes the burden on native-born American families much greater.

I'll make three observations. First, refundable tax *credits* are *not* tax *cuts*. Second, immigration makes tax policies like the EITC strike taxpayers' pocketbooks that much harder. And third, the EITC shows that "immigrant family values" aren't the same as traditional American family values.

First, the EITC illustrates how tax cuts and tax credits are not the same thing. Tax cuts refer to lowering the rate at which income is taxed. Cutting tax rates applies to large groups of people who are similarly situated with respect to income. Ronald Reagan did this in 1981 as part of his economic recovery program. Quoting Reagan's

autobiography: "Excessive tax *rates* were at the heart of the problem." The Reagan record shows how cutting tax rates boosts prosperity generally and produces more revenue for the government.

By contrast, tax credits and tax deductions reduce the tax liability of a defined group. Refundable tax credits such as the EITC go well beyond reducing a favored group's tax liability. They phase out eligibility as income levels go up. These benefits intentionally treat similarly situated people differently. Someone getting the EITC actually collects a government check—the government *pays them* at tax time. Through schemes like the EITC, the government "spreads the wealth around," to borrow Obama's line to Joe the Plumber.

As Ed Rubenstein's paper shows, the EITC robs some to give to others. This is exactly the kind of so-called "tax relief" Obama talked about during the campaign and in his sales job for his economic stimulus bill. Obama is redistributing wealth via the tax code and misleading the public by calling it tax cuts. Rather, it is welfare by other means.

Thus, tax *rate* cuts benefit taxpayers. They are equitable. And they benefit the economy. But refundable tax credits like the EITC penalize real taxpayers. They are inequitable and redistributionist. And they have much less economic benefit.

Second, taxpayers suffer a one-two punch from the EITC and mass immigration. In many cases, the EITC picks the pockets of native-born Americans and gives the money to the unskilled, low-income foreign-born. The Center for Immigration Studies reports that nearly one-third of immigrant households qualified for the EITC in 2006. Ed found that immigrants collected about \$12 billion through EITC last year. That is more than one-fourth of the total EITC payouts. And immigrant participation in the EITC is twice the rate of the native-born.

Legal immigration runs at four times the historical average. We give out 1 million immigrant visas a year, versus an average 250,000 immigrants a year over our nation's first two centuries. The vast majority of today's immigration is by relatives. Also, legal and illegal immigration are connected. The same countries sending most legal immigrants are the same source countries for most illegal aliens.

Chain migration drives up the number of immigrants and drives down the quality of immigrants. Immigration of extended family members means people can come because they are related to an uncle or third cousin who came here several years ago. There is no requirement to be educated, or literate, or skilled, or capable. Therefore, chain migration perpetuates the importation of hundreds of thousands of foreign-born who are net takers, instead of net gains, for America.

Consider the example of high school dropouts. More than half of illegal aliens and a quarter of legal immigrants never complete high school, compared with less than 10 percent of the native-born. Given that immigrant households have more children, guess what? Immigrant participation rates in all kinds of welfare programs and other forms of redistribution of wealth far outpace native participation. This adds up to a tax-and-tax of U.S. citizens and to a spend-and-spend on the foreign-born. Robert Rector at the Heritage Foundation calculated a total net transfer of taxpayer money of nearly \$22,500—every single year to every single poorer immigrant household!

We have a requirement on the books that those who sponsor immigrants shoulder financial responsibility for those they bring. It is loophole-ridden, so the new arrivals and their U.S.-born children become lifelong public burdens. We have a public

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Dr. Edwards cofounded Olive, Edwards, & Cooper, a government relations and public affairs firm, where he began his consulting practice in 2001. Dr. Edwards spent five years at the Healthcare Leadership Council (HLC), a respected health care association, where his responsibilities included corporate and advocacy communications and lobbying on health issues under the Judiciary Committee. He was HLC's point man on a health antitrust coalition and a biomedical liability protection coalition.

On Capitol Hill, Dr. Edwards served as U.S. Rep. Ed Bryant's Legislative Director, where he handled the Congressman's Judiciary Committee assignment, including the work of the Crime and Immigration Subcommittees. Previously, Dr. Edwards was Senior Speechwriter at the Republican National Committee, Press Secretary and Legislative Assistant for U.S. Rep. John Duncan, Jr., and began his congressional career on the staff of U.S. Sen. Strom Thurmond, later becoming Sen. Thurmond's Special Assistant on the Senate Judiciary Committee.



Dr. Edwards co-authored The Congressional Politics of Immigration Reform (Allyn & Bacon, 1999) and has written extensively on policy issues. He was an Adjunct Fellow with the Hudson Institute from 1999-2008 and was selected as a Lincoln Fellow by the Claremont Institute in 1998. Dr. Edwards has advised political campaigns, including as a Co-Chairman of the 2008 Mitt Romney for President Faith and Values Advisory Committee, Ed Bryant's Senate campaign, and several U.S. House campaigns.

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charge doctrine that dates to colonial times. But it has also been gutted by liberals all too eager to show their “compassion” with other people’s money. The way to give Americans real tax relief would be to cut legal immigration toward historical levels and adopt skill and educational requirements for all immigrants.

Third, EITC exemplifies how purported “immigrant family values” don’t measure up to traditional American family values. Some self-delusional conservatives have convinced themselves that immigrants—Hispanics in particular—are “natural conservatives.” This implies that they are ripe for Republican picking. This is simply not true, and the EITC illustrates why.

Ed found high immigrant participation rates in the EITC, the prevalence and ease of EITC fraud, and how illegal aliens readily benefit. We see how the EITC discourages marriage and encourages cohabitation and single parenthood. The Manhattan Institute’s Heather Mac Donald has chronicled trends in Hispanic social behavior. Half of all Latino children are now born out of wedlock. The birth rate of unmarried Hispanic females is epidemic—higher than of whites, Asians, or blacks. More than half of the Hispanic children in this country now live in households headed by a single mother in poverty. Only 21 percent of Latino kids live with a pair of married parents. Unmarried Mexican-American parents who start out cohabitating are more likely than whites or blacks to split up.

People living with the consequences of this kind of antisocial conduct—particularly immigrants, who have even less social capital than their native-born counterparts displaying the same kind of behavior—are drawn by pandering politicians and ethnic advocates into the cycle of dependency. Political manipulators employ the EITC and similar goodies to advance their political agendas. Those agendas do not involve personal responsibility, independence, civil society, or ordered liberty. Their agendas rely on the breakdown of the family. The undesirable behavior of the Left’s constituencies guarantees dependency. The cycle of dependency involves sexual promiscuity, illegitimacy, gangs and crime, drugs, violence, school dropouts, and

reliance on unwholesome civil structures in the subculture and redistributionist programs like the EITC.

In conclusion, the EITC has become yet another means of depriving hard-working Americans of their own resources. These resources could help our less fortunate fellow Americans. But it offers a way of redistributing wealth—through the tax code—to an increasingly foreign-born underclass. This flies in the face of America’s immigration ideal, in which capable people come here to do for themselves, not to sign on to the public dole. Here at tax time, we do well to consider this: Is it time to reduce immigration levels and thereby let productive Americans keep more of our own money? ■



Dr. James Edwards talks to one of two CNN reporters after the question and answer segment at the National Press Club release of Ed Rubenstein’s report, *The Earned Income Tax Credit and Illegal Immigration*.