

## **Double Withholding, Government Sits On Employer-Paid Taxes For Immigrants**

*by Carlos C. López*

Once again the creative minds at our government have come up with another way to hurt the backbone of our economy, business. When someone applies to work, the employer requires that the prospective employee present certain pieces of documentation in order to be placed on the employer's payroll, at a minimum a social security card and a form of picture ID, e.g. driver's license, resident alien card, etc. At this point the employee is documented. Employers have satisfied documentation requirements and they employ workers based on information provided to them. The federal government is requiring that employers become identification document experts or else they face the possibility of fines and even jail time. What's wrong with placing another impossible and costly burden on our employers?

Let's talk about the financial effect these so-called undocumented workers have on the government coffers. It is the opposite of what many think. At the federal level employers are required to match social security deductions at 6.2% up to \$94,200 in 2006 and 1.45% in Medicare deductions with no limit, employers are also required to pay at a minimum 0.8% on wages up to \$7,000 in federal unemployment tax act contributions. California and most states also require the employer to pay into the state unemployment insurance funds, employment training tax and workers compensation insurance. In California most employers are paying up to 6.2% in SUI and 0.1% in the ETT, California employers are also required to withhold 0.8% in state disability insurance on wages up to \$79,814. Now, when we add these employers paid taxes with the withholding the employer is required to deduct from the employees pay check, we are talking about 23.5%.

This is what the government is not telling us, the federal and state agencies that require employers to pay and withhold these taxes will NEVER have to pay the benefits to these workers, EVER. We are talking about a staggering amount of money here, if you listen to the statistics of how many millions of dollars these workers are making every year, the government is keeping at least 23.5% of it! Let's put this in perspective, if these workers are making \$100 million per year, these agencies are keeping at least \$23,500,000 in taxes PER YEAR that never have to be paid back. When this amount is compounded over prior years, one can only imagine how many billions of dollars this amounts to. Why is the government telling us that social security is going to run out when the government is collecting all this money without ever returning this benefit to the people who worked and paid it?

There's a financial reason our government is dragging its feet for immigration reform, it's called free money. Whose economy is really going to be hurt if these workers become legal and the government has to start paying the benefits these hard working people have been paying into? Greedy politicians will have to come up with another way to tax us to make up the difference if the government has to start paying back what it has collected.

Employers are not the problem and should not be punished for fueling our economy with

jobs, innovations and entrepreneurship. Threatening employers with huge fines, felony charges and even jail time is not going to solve the immigration problem. The immigration amnesty in the mid 80's proved to be a fiasco and should not be repeated. We now have the technology and systems in place to systematically solve this situation.

The IRS is issuing Individual Taxpayer Identification Numbers (ITIN) to undocumented workers so they can file and pay their taxes. At least one government agency has enough sense (I know it's hard to say something positive about the IRS) to realize there is a huge amount of tax revenue that should be collected without threatening these workers with deportation. When the social security administration notifies employers they have employees working with social security numbers that cannot be verified, the employer has 90 days to have his/her employees apply for an ITIN, bring the paperwork to the employer to prove that the worker and the employer have demonstrated some due diligence. The worker should then be required to file and pay all back taxes for the years they have been working here. The employer can then use the ITIN on her/her employment tax forms to show due diligence within a reasonable amount of time, of course it depends on how quickly the IRS can issue the ITIN. The ITIN can then be used when the immigration reform is positioned.

Our system of government requires all who live and work here to voluntarily report and pay their fair share of taxes, this should be the first step in reform. These workers must file and pay all back taxes within one year and provide proof to their employer that this has been accomplished. When the social security administration requires the employer to provide proof of social security numbers, the employer now has the opportunity to show the government that his workers have started filing and paying their taxes. If a worker does not comply with this voluntary system, then the worker should be dismissed. If an employer refuses to dismiss a non compliant worker, then sanctions should be applied. The cooperative and diligent employer should not be punished, but should be taught to educate his/her employees our system of pay as you go taxation. I believe that the vast majority of these workers will comply with this system. These workers are looking for a job, not a hand out. I also believe that most of these workers understand in some basic form that this country's economic success is largely based on a voluntary tax reporting system.

Our freedom and economy depends on understanding what our workers and employers need in order to flourish and keep paying into the taxation system without added bureaucracy and outdated methods of punishment. We need to provide a systematic and easy to follow method to file and pay taxes to start the immigration reform. If someone doesn't want to follow this system, then a pragmatic approach to punishment should be followed. Immigration reform should start with education and proper tax administration, not attacking the backbone of our economy-employers.