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Immigrants required to pay taxes

ITIN lets undocumented workers file returns

By Sandra Baltazar Martínez
The New Mexican

It's commonly thought that undocumented immigrants don't pay taxes on their U.S. income or file tax returns. But more and more do, according to local tax preparers and the Internal Revenue Service.

Some want to be able to show they deserve legal residency in the event of a change in the immigration laws. Others want to comply with reporting requirements or are seeking tax refunds.

John Perea, owner of Liberty Tax Service off Llano Street, said he asks immigrants who come to his office why they want to pay taxes, and the answers are always the same.

"Most people have said that they want to comply with the laws of the United States," Perea said.

The IRS made filing a federal return easier in 1996 with the introduction of the Individual Tax Identification Number (ITIN), which allows workers without a valid Social Security number to report their earnings to the IRS. The nine-digit number is

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issued, regardless of immigration status, to both resident and nonresident aliens — or their dependents — who have a U.S. reporting requirement.

According to the IRS, 13.8 million ITINs were issued between 1999 and 2009. No figures are available for the number assigned to New Mexico residents, according to Irma Treviño, spokeswoman for the IRS for the Western region.

However, Treviño explained, “They need to file taxes because it’s the law and because it’s an obligation of every (worker). It demonstrates they are people of good moral character.”

ITINs are designed only for federal tax reporting and do not replace a Social Security number when applying for a job. Banks, however, have started accepting them as proof of identification for opening an interest-bearing account or applying for a mortgage. Some opponents of illegal immigration charge that the ITINs circumvent national immigration policy.

Monica Hardeman, area manager with H&R Block tax preparers off Cerrillos Road, said

her office is helping more and more people to use ITINs to file their tax returns. “They want to be legal,” she said, referring to the obligation to report earnings to the IRS, and not their status.

She said that many clients, in particular those who are self-employed — and who often are paid in cash — do not set money aside to pay their taxes, so “we help them set up a payment plan.”

Moreover, she said, “We’re seeing a lot more undocumented people filing to try to establish residence ... to show they’ve been good citizens and they’re working.”

Although the latest immigration reform measures are stalled in Congress, when President Ronald Reagan approved an amnesty in 1986, one of the requirements for legal residency was proof that the applicant had filed income tax returns.

Undocumented residents also pay FICA and Social Security taxes through payroll deductions. But because they normally use a fake Social Security number to gain employment, they don’t get credited for the withholding. This can muddle the tax return of the actual

number holder in cases where the job seeker has used a real number and not a made-up one.

In 2008, the Social Security Administration received nearly \$86 billion “for wage items reported to the Social Security whose name and number did not match Social Security’s records,” said Dorothy Clark, a spokeswoman for the Social Security Administration in Baltimore, Md.

But those using an ITIN can qualify for benefits such as the Child Care Tax Credit, Making Work Pay Tax Credit and the American Opportunity Tax Credit, which gives parents a break if they help pay their child’s higher expenses such as college textbooks. They do not, however, qualify for the Earned Income Tax credit, which requires a Social Security number.

A 2006 study titled “Undocumented Immigrants in New Mexico; State Tax Contribution and Fiscal Concerns,” conducted by the Fiscal Policy Project and the New Mexico Voices for Children in Albuquerque, concluded that the undocumented contribute between \$47 million and \$69 million in taxes annually.