

POWER OF THE PURSE

# How Hispanics Contribute to the U.S. Economy



# Power of the Purse: How Hispanics Contribute to the U.S. Economy

Paid for by the Partnership for a New American Economy Research Fund.

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# Executive Summary

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**T**here are few groups more important to the health of the U.S. economy overall than Hispanics.<sup>1</sup> In 2015, they made up one out of every three agriculture workers in the United States. They also accounted for more than one in four workers in construction and more than one out of every seven of the country's entrepreneurs. Their high level of workforce participation has helped make them such a force in our economy.<sup>2</sup> Rapid growth in the number of Hispanics in the country as a whole in recent decades has made them more widely represented too. Between 1970 and 2014, the number of Hispanics living in America grew by a factor of roughly seven—or by 592 percent. The overall U.S. population increased by just 56 percent during the same period.<sup>3</sup>

Beyond workforce contributions, it is important to have a clear picture of the many other ways that Hispanics strengthen the U.S. economy. There are many ways someone can contribute to the U.S. economy and spur productivity growth. He or she might fill a job that would otherwise likely remain vacant, allowing a U.S. company to continue to expand, innovate, and hire more workers. She can pay taxes to state and local governments, supporting public schools, police forces, or other vital services. Or he can participate in our economy simply as a consumer, buying the goods and services like groceries, clothing, and home improvements that allow U.S.-based businesses to thrive.

While, Hispanics—both at the national and state levels—are an integral part of the U.S. economy, they tend to lag behind in several other critical economic indicators.<sup>4</sup> Their median household income, for instance, is roughly 25 percent lower than U.S. households. Additionally, in the first quarter of 2017, Hispanics ages 16 and above had an unemployment rate 1 percent higher than the national average.<sup>5</sup> These long-standing inequities not only affect individuals and families in the Hispanic community but can have a significant effect on the strength of the U.S. economy.

In this research brief—part of a series from New American Economy (NAE) on the economic contributions of immigrants—we shed light on how the Hispanic population, both foreign-born and native-born, is enriching our economy on each of these fronts. Using the 2015 American Community Survey (ACS) from the U.S. Census Bureau, we examine data on the 56.5 million Hispanics in America—detailing how much they earn each year, their spending power, and the amount they contribute as taxpayers. We also detail their entrepreneurship patterns and where they are making an impact as voters. Although this population is largely made up of U.S. citizens—a full two-thirds of Hispanics in the country were born here—we also break out data on the 19.4 million Hispanic immigrants building lives in America.

## KEY FINDINGS

### ▶ **Hispanic households account for a large portion of America's spending power.**

In 2015, Hispanics had an estimated after-tax income of more than \$687.8 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 \$322.1 billion that year.

### ▶ **The growing earnings of Hispanic households have made them major contributors to U.S. tax revenue.**

In 2015, Hispanic households contributed almost \$215 billion to U.S. tax revenues as a whole, including almost \$76 billion in state and local tax payments. Of this, foreign-born Hispanics contributed \$96.9 billion in tax revenues nationwide. That included almost \$36 billion in state and local taxes and more than \$61 billion in taxes to the federal government.

### ▶ **In some states, Hispanics account for a large percentage of spending power and tax revenues overall.**

In both Texas and California, Hispanic households had more than \$125 billion in after-tax income in 2015, accounting for more than one of every five dollars available to spend in each state that year. In Nevada, a state with a rapidly growing Hispanic population, their earnings after taxes accounted for more than one-sixth of the spending power in the state. In Arizona and Florida, Hispanics contributed almost one out of every six dollars in total tax revenues in 2015.

### ▶ **Hispanics, and foreign-born Hispanics in particular, play an important role sustaining America's Medicare and Social Security programs.**

In 2015, Hispanic households contributed \$101.8 billion to Social Security and \$25.3 billion to Medicare's core trust fund. That included the almost \$46.2 billion foreign-born Hispanics contributed to Social Security, and the \$11.4 billion they gave to Medicare. Past studies have indicated that from Medicare in particular, immigrants draw down far less than they put into the trust fund each year, making such tax contributions particularly valuable.<sup>6</sup>

### ▶ **Hispanic-Americans who only recently gained eligibility to vote could be a big factor in the 2020 election.**

Between 2015 and 2020, a projected 5.7 million Hispanics will gain eligibility to vote for the first time, most by turning 18 and aging into the electorate. In six states carried by Republicans in 2016, including Arizona, Pennsylvania, and Wisconsin, the estimated population of newly eligible Hispanic voters will exceed Trump's 2016 margin of victory. In Michigan, a state Trump carried by 10,704 votes, almost 46,300 Hispanic Americans will gain eligibility by 2020.

### ▶ **Hispanic business owners provide valuable employment opportunities to American workers.**

Hispanic entrepreneurs owned more than 20 percent of all transportation and warehouse businesses in the United States in 2012. They also owned roughly one out of every eight of the country's construction firms. In total, businesses with majority Hispanic ownership provided almost 2.7 million jobs to U.S. workers. In five states, including Florida and Texas, they employed more than 100,000 people in 2012.

PART I

# Income and Spending Power

**T**he U.S. Census Bureau estimates that there are 56.5 million Hispanics living in the United States. This represents 17.6 percent of the total population—more than any other minority group. Although this population is primarily made up of U.S.-born Hispanics, a significant share of this population, about 19.4 million, is made up of individuals and families who immigrated to our country from elsewhere. Although Hispanic immigration has slowed in recent years, the population of Hispanics in the country overall has continued to grow. Between 2010 and 2015, the Hispanic population grew by 11.3 percent—or almost three times faster than the entire U.S. population as a whole.

Given the size of the Hispanic population, it is little surprise that Hispanics continue to hold major clout as both wage earners and consumers. In 2015, we estimate that Hispanic households brought in \$902.8 billion in income. Although more than one in every three Hispanics in the country were immigrants in 2015, households led by Hispanic immigrants held a considerable share of this earning power. In 2015, such households earned \$418.9 billion—or more than 46 percent of the income that went to Hispanic households that year overall.

In this brief, we shed light on the role that Hispanic Americans play as consumers by looking at the “spending power” of this group. This measure, which is frequently used in NAE research, refers to the discretionary income left over to households after deducting what they pay in federal, state, and local taxes.<sup>7</sup> Using that methodology, we find that Hispanic households held \$687.8 billion in spending power in 2015—or more than one out of every 10 dollars of discretionary income in the country that year. To put

that figure in context, that amount is far more than the annual revenues of Walmart and almost three times the 2016 revenues of Apple.<sup>8</sup> Looking specifically at Hispanic immigrant households, we estimate that as a group, they had a combined after-tax income of more than \$322 billion dollars in 2015.

**56.5M**

Number of Hispanics living in the U.S.

**17.6%**

Hispanic share of the U.S. population

*Hispanics hold major clout as both wage earners and consumers.*



In 2015,  
Hispanic households  
earned **\$902.8B**.



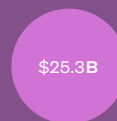
**\$76.0B** went to state and local taxes...

**\$139.0B** went to federal taxes...

Leaving them with **\$687.8B**  
in remaining spending power.

#### ENTITLEMENT CONTRIBUTIONS

Hispanics contribute greatly to our country's entitlement programs. In 2015, through taxes on their individual wages, the Hispanic population contributed **\$25.3B** to Medicare and **\$101.8B** to Social Security.



Medicare



Social Security

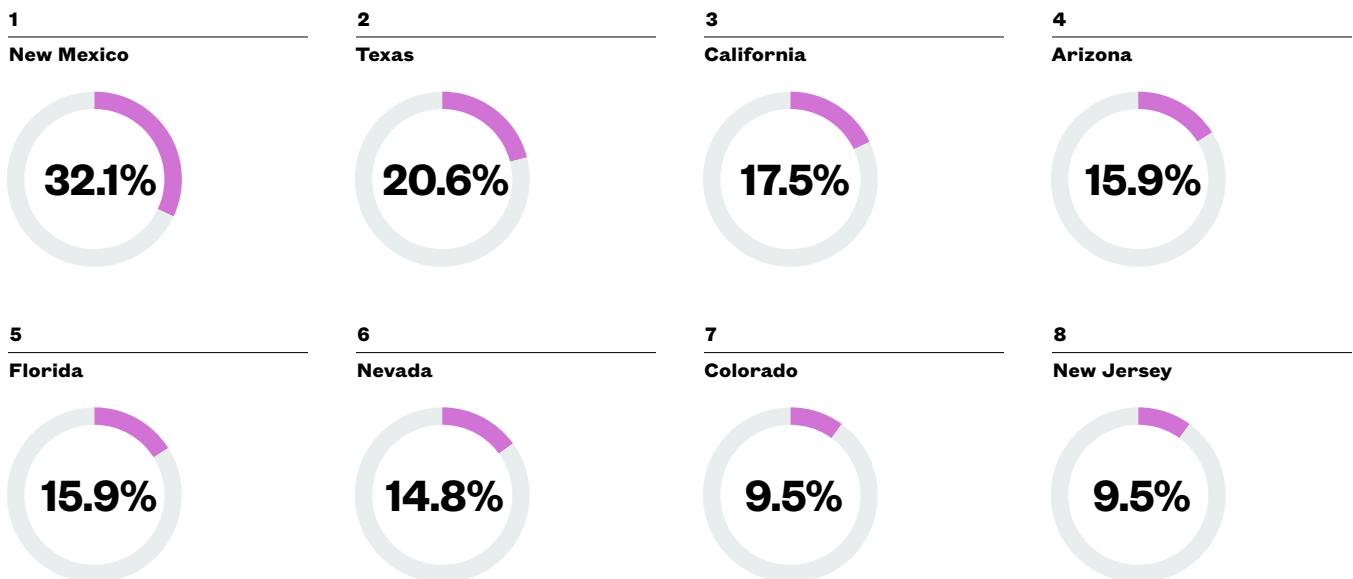
It is worth noting that the achievements of Hispanics as earners, taxpayers, and consumers is occurring despite disadvantages in the labor market. Although things have improved somewhat in recent years, Hispanics still struggle with a disproportionate share in low-wage jobs. They also lag behind their racial and ethnic counterparts in income and opportunities. Addressing some of these challenges would help the community contribute still more.

While the national numbers are impressive, when we look at specific states, we can see the powerful impact of the Hispanic community at a more local level. In California and Texas—two states where Hispanics make up more than a third of all residents—Hispanic spending power reaches more than \$125 billion per state. California’s Hispanic population has an estimated annual spending power of \$161 billion, while in Texas, Hispanic households contribute \$127.8 billion in spending power to the state’s economy each year. In Florida, another state with a sizeable Hispanic population, Hispanic households have an annual spending power of \$66.4 billion, meaning that more than one out of every six dollars of spending power in that state’s economy is in the hands of Hispanics. We show the states where Hispanics hold the largest share of spending power in Figure 1 below. In addition to large

states like California and Texas, this list also includes several smaller states where Hispanics make up an important part of the consumer landscape—including New Mexico, Arizona, Colorado, and Nevada.

*In California and Texas—where Hispanics make up more than a third of all residents—their spending power reaches **more than \$125B** per state.*

FIGURE 1: STATES WITH THE LARGEST SHARE OF SPENDING POWER IN HISPANIC HOUSEHOLDS, 2015



Source: Author's analysis of the American Community Survey, 2015.

FIGURE 2: STATES WHERE HOUSEHOLDS LED BY HISPANIC IMMIGRANTS HAVE THE MOST SPENDING POWER, 2015

	Spending Power
California	\$91.8B
Texas	\$49.6B
Florida	\$38.6B
New York	\$24.0B
Illinois	\$14.0B
New Jersey	\$13.8B
Arizona	\$8.1B
Virginia	\$6.6B
Georgia	\$6.1B
Maryland	\$5.3B
Nevada	\$5.0B
North Carolina	\$4.9B
Washington	\$4.8B
Colorado	\$4.6B
Massachusetts	\$4.6B

When we drill down to the spending power of households led by Hispanic immigrants, some interesting patterns emerge. While California, Texas, and Florida once again lead the pack when it comes to the dollars available to Hispanic immigrant households for discretionary spending, several other less expected states show up among the top 10 where that spending power is the greatest. These include Georgia and Maryland, states where Hispanic immigrant households have \$6.1 billion and \$5.3 billion in spending power, respectively. Virginia, a state where just 3.8 percent of the population is made up of Hispanic immigrants, also ranks high on the list. In that state, Hispanic immigrant households held \$6.6 billion in spending power in 2015. We show the spending power of Hispanic immigrant households in the top 15 states in Figure 2 at left. Data for the full 50 states can be found in the Data Appendix to this report.

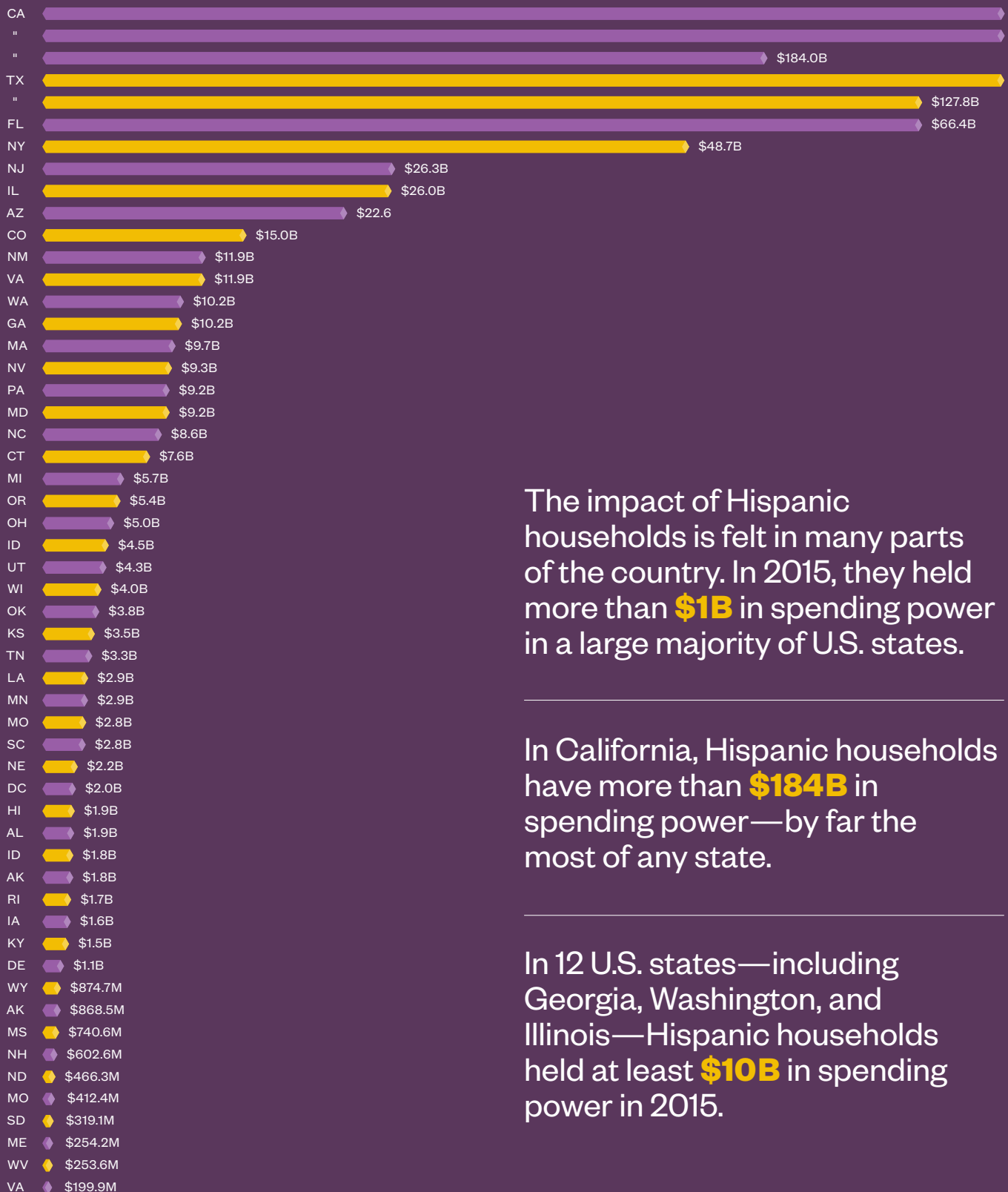
*Virginia, a state where just 3.8% of the population is made up of Hispanic immigrants, ranks high on spending power.*

As the program director of Main Street Guymon, a business resource center located in the small city of Guymon, Oklahoma, Melyn Johnson has unique insight into how the spending of Hispanic immigrants can boost a local economy. In 1995, Seaboard Foods, a major U.S. pork producer, opened a large plant in this city of roughly 12,000 people, creating 2,700 jobs. Lured by the prospect of steady employment—particularly in an industry where jobs frequently go unfulfilled by others—Hispanic immigrants and their families moved to

Source: Author's analysis of the American Community Survey, 2015.



FIGURE 3: SPENDING POWER OF HISPANIC-AMERICAN AND HISPANIC IMMIGRANT HOUSEHOLDS BY STATE, 2015



The impact of Hispanic households is felt in many parts of the country. In 2015, they held more than **\$1B** in spending power in a large majority of U.S. states.

In California, Hispanic households have more than **\$184B** in spending power—by far the most of any state.

In 12 U.S. states—including Georgia, Washington, and Illinois—Hispanic households held at least **\$10B** in spending power in 2015.

Guymon to fill the positions. “Our unemployment rate is very low,” Johnson explains, “So we couldn’t have filled those jobs without them.”

The arrival of immigrants had a major effect on Guymon. By 2010, Guymon had the distinction of being the only city in all of Oklahoma that was majority Hispanic.<sup>9</sup> And its downtown district began to boom too. “For whatever reason, there were fewer businesses downtown until the immigrant populations came in,” Johnson says. “Were it not for Seaboard coming here, those places would probably be empty because our population would be half what it is today. The more people you have, the more goods are bought. It’s simple math.” By 2012, every retail space downtown was occupied. The increased consumer activity benefitted a whole host of businesses—from the local hotels, which were frequently fully booked, to the shoe stores and theaters that dotted the streets downtown. Many businesses, in fact, thrived because they responded to the needs of the local residents, including Guymon’s Hispanic customers. These shops included a grocery store selling imported goods, an ethnic restaurant, and a local shop specializing in Latin-American clothing and *quinceañera* dresses.<sup>10</sup>

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*“There were fewer businesses downtown until the immigrant populations came in,” Johnson says. By 2012, every retail space downtown was occupied.*

Many cities across the country—like Guymon—have benefitted from the spending and investment of Hispanic customers. Despite this, it is worth noting that the spending power figures reported here are likely underestimated. The main reason for this lies in both the chronic underreporting of income in the American Community Survey, due to issues like simple human error and the inherent difficulty in tracking cash payments or less formal streams of income. Although Census data serves as the official data source used by the U.S. government to measure poverty and income statistics, this issue has been widely documented. An Institute for Research on Poverty at the University of Wisconsin study reported that at least half of families with annual incomes lower than \$15,000 had underreported their income by more than 20 percent on Census counts.<sup>11</sup> 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.<sup>12</sup> This underreporting is often inadvertent, resulting in part from the once-a-year nature of survey reporting.

Due to this reality, our figures are likely to be lower than other reports on Hispanic consumer power that have tried to account for such underreporting. Most prominently, a 2015 report from the Selig Center for Economic Growth at the University of Georgia estimated that Hispanics held \$1.3 trillion in buying power in 2014.<sup>13</sup> 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, if 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 2015, a topic we explore more in the following section.

PART II

# Tax Contributions

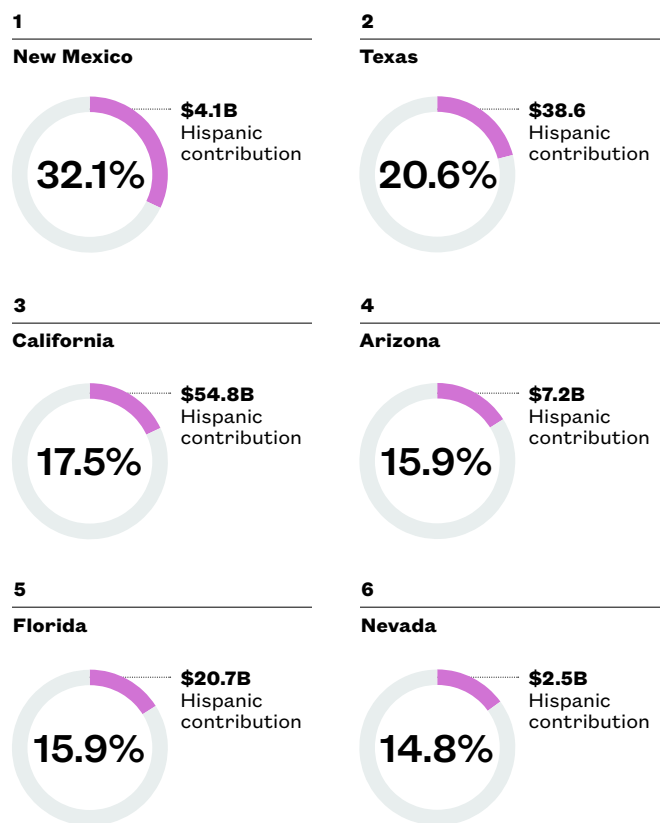
**H**ispanics in the United States are major contributors to federal, state, and local budgets by virtue of their role as taxpayers. Federal taxes paid by Hispanic households fund federal services—including the U.S. Military, Social Security, and Medicare—that benefit all Americans. Meanwhile, through their contributions in state and local taxes, Hispanic households help pay for critical local services like public schools, police and fire safety, local road and street maintenance, and emergency medical services.

## Federal and State and Local Taxes

Nationwide, Hispanic households are estimated to contribute \$139 billion in federal taxes and almost \$76 billion in state and local taxes. That means that in total, Hispanics pay \$215 billion in taxes each year. The contribution of Hispanic immigrants to that total is quite notable. In 2015, foreign-born Hispanic households paid a total of \$96.9 billion in taxes—\$61 billion to the federal government and \$35.9 billion at the state and local level. In some states, Hispanic households generate a significant portion of total tax revenues. They contribute the largest share of total tax revenue in New Mexico, a state where Hispanic households contribute almost one out of every three dollars in taxes paid by residents of the state. Hispanics have a similar impact in Texas, where the more than \$38.6 billion they pay in taxes to the federal, state, and local governments amounts to more than 20 percent of the total taxes Texans pay each year. In six U.S. states, Hispanics contribute more than one out of every 10 dollars in total tax revenues. Aside from Texas and New Mexico, this group includes California, Arizona, Nevada, and Florida. (See Figure 4.)

The 19.4 million Hispanic immigrants currently in the United States also make meaningful contributions as taxpayers. It is important to note that this is true not only for the portion of the Hispanic immigrant

FIGURE 4: STATES WHERE HISPANIC HOUSEHOLDS PAY THE LARGEST SHARE IN TOTAL TAX REVENUES, 2015



Source: Author's analysis of American Community Survey, 2015.

population that is in the country on valid visas, but the 7.2 million we estimate are undocumented as well. Many undocumented immigrants pay taxes through the use of an IRS-issued Individual Taxpayer Identification Numbers (ITINs). A variety of studies have estimated that anywhere from 50 to 80 percent of households led by undocumented immigrants file federal income taxes annually.<sup>14</sup> Federal government officials have also estimated that 75 percent of undocumented workers have taxes withheld from their paychecks each year.<sup>15</sup>

FIGURE 5: STATES WHERE HISPANIC IMMIGRANT HOUSEHOLDS PAY THE MOST IN TAX REVENUE, 2015

	Taxes Paid
California	\$25.8B
Texas	\$14.4B
Florida	\$12.0B
New York	\$8.5B
Illinois	\$4.7B
New Jersey	\$4.2B
Arizona	\$2.5B
Virginia	\$2.0B
Georgia	\$1.9B
Maryland	\$1.7B
Washington	\$1.5B
Massachusetts	\$1.4B
North Carolina	\$1.4B
Nevada	\$1.3B
Colorado	\$1.2B

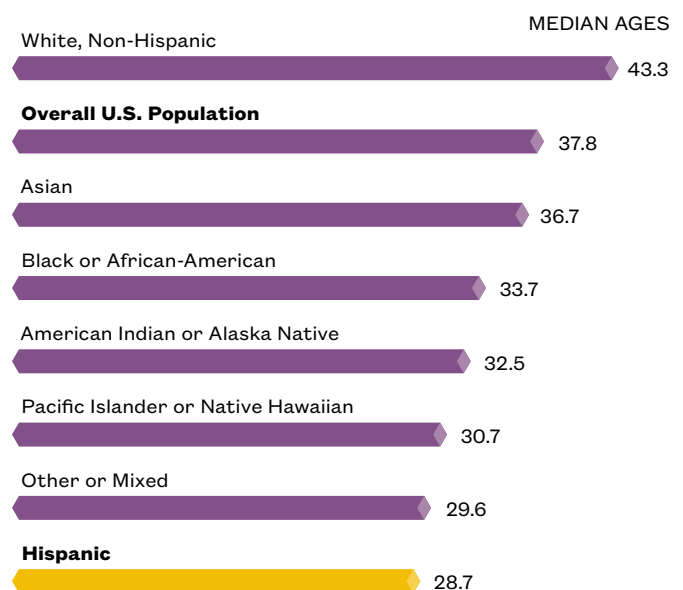
Source for Figures 5 & 6: Author's analysis of American Community Survey, 2015.

In this study, we do not break down what portion of tax revenues from Hispanic immigrants come from the undocumented segment of the population. Instead, we look at the entire Hispanic immigrant population—more than 60 percent of which is in the country on valid visas. The tax contributions of Hispanic immigrants as a whole are substantial in many parts of the country. In California, households led by Hispanic immigrants contributed \$25.8 billion in tax revenues in 2015. In Texas and Florida, such households paid \$14.4 billion and \$12.0 billion in taxes, respectively. In Figure 5, we show the 15 states where households led by Hispanic immigrants pay more than \$1 billion in taxes each year. Once again, the figures for all states can be found in the Data Appendix.

### Social Security and Medicare

The Hispanic population has the unique distinction of being the youngest ethnic group in the United States. In 2015, the average age of Hispanics in the country was 28.7 years old, compared to the 37.8 median age of U.S. residents overall. More crucially, white Americans who were not Hispanic were on average almost 15 years older than the average Hispanic in America: Their average age was 43.3 years old in 2015. (See below.)

FIGURE 6: AVERAGE AGE OF AMERICANS BY ETHNIC GROUP AND MEDIAN AGE, 2015

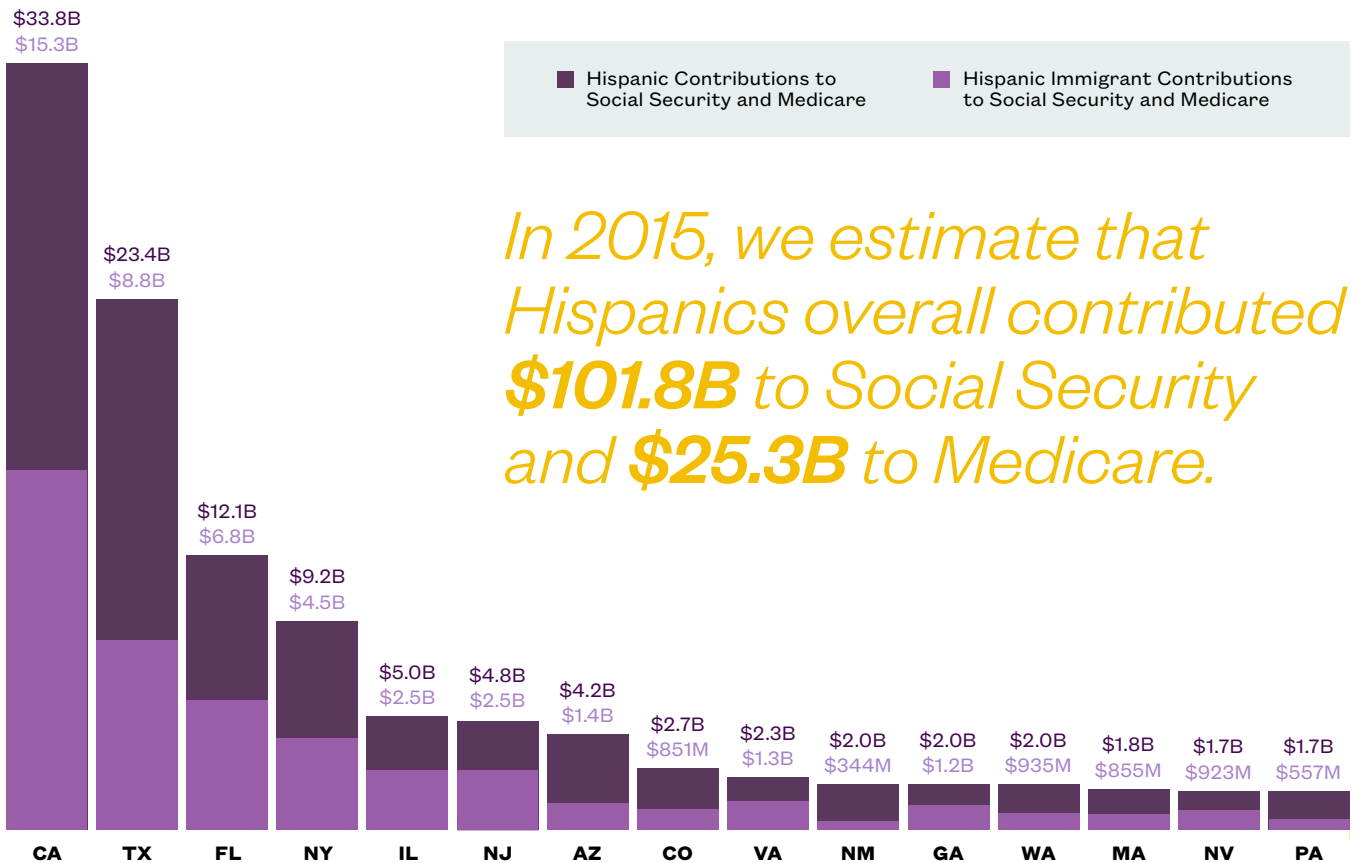


Given this, it is little surprise that Hispanics are already making important contributions to the Social Security and Medicare programs. In 2015, we estimate that Hispanics overall contributed \$101.8 billion to Social Security and \$25.3 billion to Medicare. Hispanic immigrants, a group considerably more likely to be working-age than the U.S. population overall, made up a substantial portion of these revenues. In 2015, foreign-born Hispanics contributed \$46.1 billion to Social Security and \$11.4 billion to Medicare. Similar to the picture for taxes overall, these contributions were largest in California, Texas, Florida, and New York.

Our report reflects the contributions of Hispanics to our entitlement programs during just one year—2015—yet it is important to note that the role Hispanics play

helping to sustain Social Security and Medicare is likely to grow in the coming decades. The current population of U.S.-born Hispanics skews particularly young: Recent reports have found that roughly one in four school-age children in the country today are Hispanic, compared to just 9 percent in 1980.<sup>16</sup> And in some states, such as California and New Mexico, they already make up the majority of children.<sup>17</sup> Given that more than 90 percent of these students are already U.S. citizens, they are likely to remain in the United States long term and play a large role in the country’s workforce as the country’s roughly 75 million Baby Boomers retire.<sup>18</sup> Helping these Hispanic youth succeed as both earners and taxpayers could be one step towards addressing the long-term solvency questions that both Social Security and Medicare currently face.

FIGURE 7: AMOUNT CONTRIBUTED BY HISPANICS TO ENTITLEMENT PROGRAMS IN TOP STATES, 2015



*In 2015, we estimate that Hispanics overall contributed \$101.8B to Social Security and \$25.3B to Medicare.*

Source: Author’s analysis of the American Community Survey, 2015.

In 2015, Hispanic immigrant households earned **\$418.9B**.



**\$35.9B** went to state and local taxes...

**\$61.0B** went to federal taxes...

Leaving them with **\$322.0B** in spending power.

ENTITLEMENT CONTRIBUTIONS

Hispanic immigrants contribute greatly to our country's entitlement programs. In 2015, through taxes on their individual wages, the Hispanic immigrant population contributed **\$11.4B** to Medicare and **\$46.1B** to Social Security.



Medicare



Social Security

PART III

# Entrepreneurship

In the last decade, entrepreneurship among Hispanics has been growing rapidly. As past NAE research has indicated, between 1990 and 2012, the number of Hispanic entrepreneurs tripled, going from 577,000 to more than 2.0 million. Among foreign-born Hispanics, the growth in the population of entrepreneurs was particularly notable. The number of self-employed Hispanic immigrants more than quadrupled between 1990 and 2012—reaching 1.4 million by 2012. Mexican immigrants in particular were a strong component of this growth. Between 1990 and 2012, the number of Mexican immigrant entrepreneurs in the country grew by a factor of 5.4.<sup>19</sup>

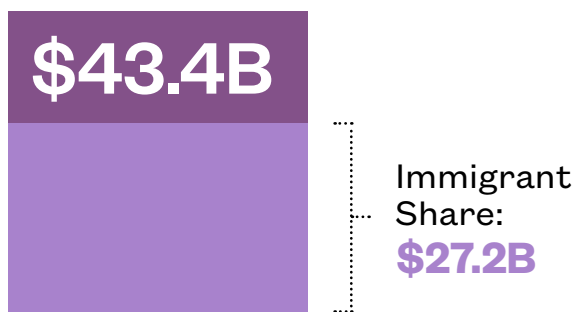
Looking at the pattern since then, it is clear that the Hispanic population—and in particular, Hispanic immigrants—have continued to play an important role starting new companies and creating American jobs. In 2015, the country was home to almost 2.1 million Hispanic entrepreneurs—a net increase of almost 60,000 entrepreneurs since 2012. Of this

group, roughly two thirds, or almost 1.4 million people, were Hispanic immigrants. The large number of self-employed Hispanics in the country meant that this group played a particularly important role in the United States entrepreneurial landscape overall. In 2015, Hispanics made up more than one out of every seven entrepreneurs in America.

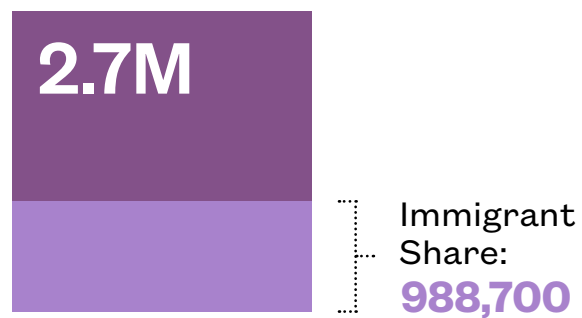
*In 2015, Hispanics made up more than one out of every seven entrepreneurs.*

FIGURE 8: KEY METRICS FOR SELF-EMPLOYED HISPANICS AND BUSINESSES OWNED BY HISPANICS, BY NATIVITY

## Total Business Income of Self-Employed Hispanics



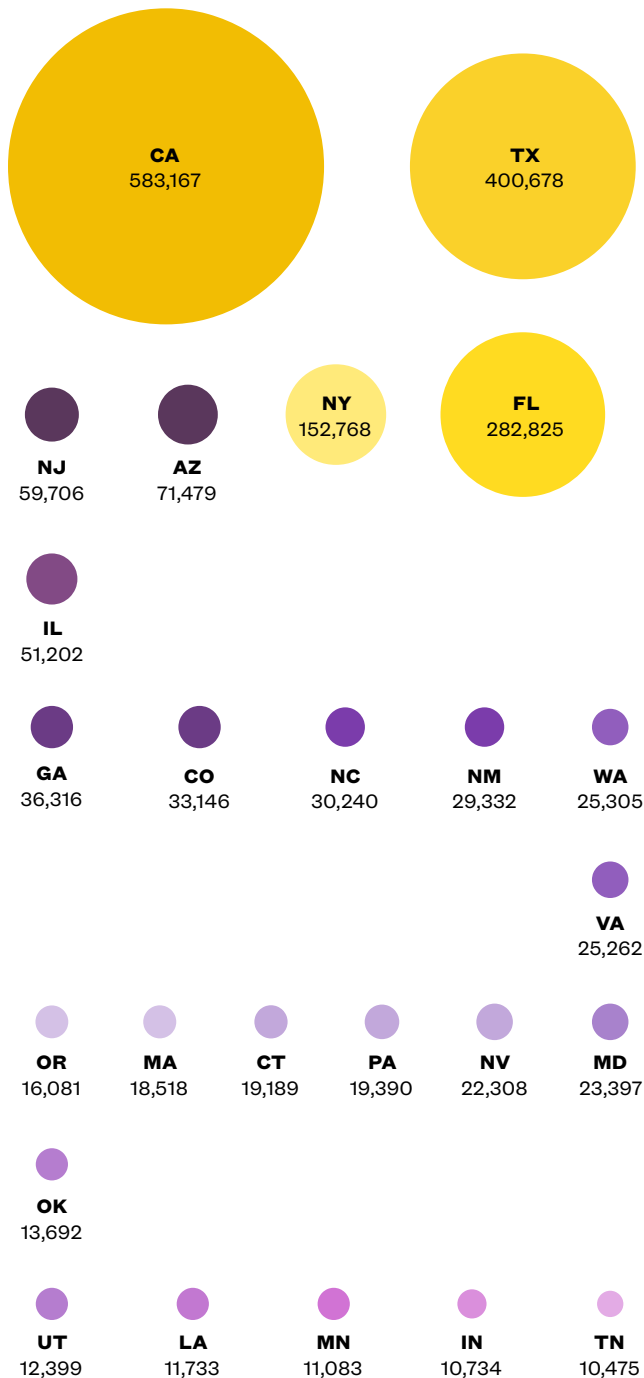
## Number of People Employed at Hispanic-Owned Firms\*



Sources: Survey of Business Owners and Self-Employed Persons, 2012 and 2007; American Community Survey, 2015.

\* Number of employees reflects 2012 figures for the Hispanic population overall and 2007 figures for foreign-born Hispanics, due to data availability from the SBO. Firms are defined as Hispanic-owned if at least 50 percent of the business is owned by a Hispanic. Firms are defined as owned by Hispanic immigrants if at least one owner is a Hispanic immigrant.

FIGURE 9: STATES WITH THE LARGEST NUMBER OF HISPANIC ENTREPRENEURS, 2015



The businesses founded by Hispanics also generate a meaningful amount of economic benefit to our broader economy and workforce. In 2015, self-employed Hispanics generated \$43.4 billion in business income—the money left over to such businesses after paying for business expenses and taxes. Businesses with at least 50 percent Hispanic ownership also employed almost 2.7 million Americans in 2012. Hispanic immigrants, once again, played a large role in these overall contributions. In 2015, self-employed Hispanics generated \$27.2 billion in total business income. Although 2012 figures are not yet available, businesses with at least one Hispanic-immigrant owner employed almost one million workers in 2007. (See Figure 8.)

In several states, Hispanic entrepreneurs make a particularly meaningful economic impact. Seven U.S. states were home to more than 50,000 entrepreneurs in 2015. Leading this group were California and Texas, which had roughly 540,000 and 400,000 Hispanic entrepreneurs, respectively. Looking more broadly, a full half of all U.S. states were home to at least 10,000 Hispanic entrepreneurs in 2015. (See Figure 9.) In some states, self-employed Hispanics—by virtue of their sheer numbers—make up a large share of the state’s entrepreneurs overall. In both Texas and New Mexico, for instance, roughly one out of every three entrepreneurs was Hispanic in 2015. The equivalent number in Arizona and Florida was more than one out of four. (See Figure 10.)

*A full half of all U.S. states were home to at least 10,000 Hispanic entrepreneurs in 2015.*

Source: Author’s analysis of the American Community Survey, 2015.

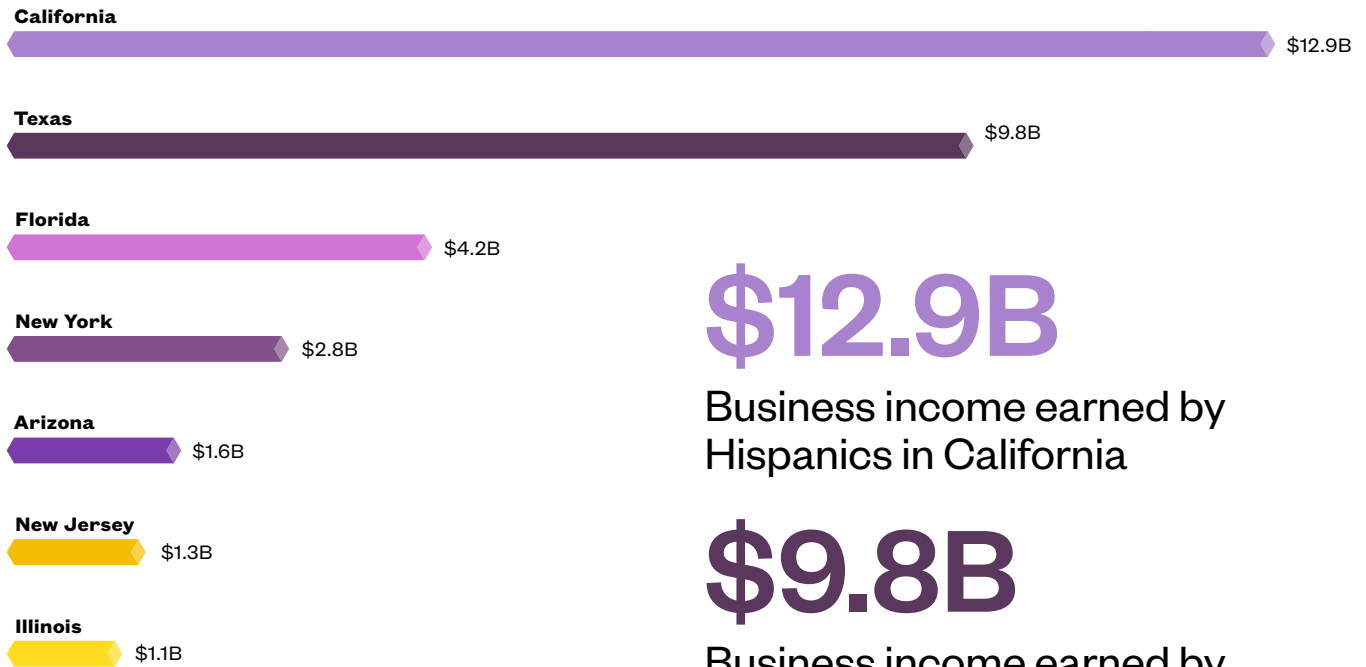


FIGURE 10: STATES WITH THE LARGEST SHARE OF HISPANIC ENTREPRENEURS, 2015



Source: Author's analysis of the American Community Survey, 2015.

FIGURE 11: STATES WHERE HISPANICS EARNED MORE THAN \$1 BILLION IN BUSINESS INCOME, 2015



Source: Author's analysis of the American Community Survey, 2015.

**\$12.9B**

Business income earned by Hispanics in California

**\$9.8B**

Business income earned by Hispanics in Texas

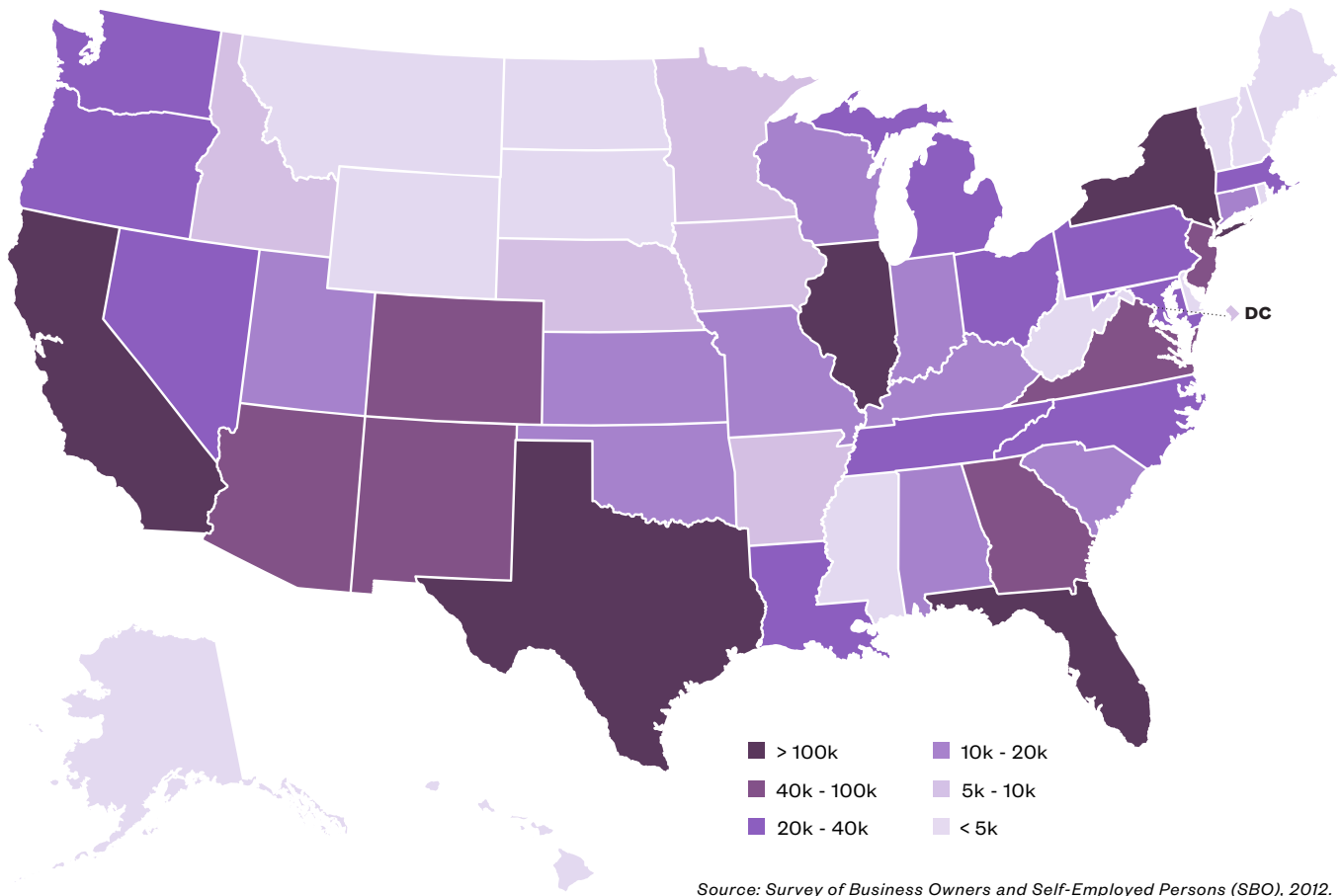
These companies, of course, have a powerful effect on the economy by producing tax revenue, consumer spending, and local employment. In seven U.S. states, Hispanics earned more than \$1 billion in business income in 2015. This was the same group of seven states that was home to more than 50,000 Hispanic entrepreneurs: California, Texas, Florida, New York, Arizona, New Jersey, and Illinois. (See Figure 11.) Of this group, California and Texas stand out as giants: In 2015, Hispanic entrepreneurs in those states generated \$12.9 billion and \$9.8 billion in business income, respectively. That meant that those two states alone accounted for half of the business income generated by Hispanic-owned firms that year.

In the map on the following page, we show the number of jobs provided by firms with at least 50 percent Hispanic ownership in 2012, the most recent year for which data is available. In five states, Hispanic-owned companies provide jobs to more than 100,000 workers—on top of the employment such firms offer to the owners

themselves. In two states, the numbers are particularly impressive. In both California and Texas, more than 600,000 people are employed at firms with Hispanic owners. The full set of data behind the map can be found in the Data Appendix to this report.

*In seven U.S. states, Hispanics earned more than **\$1B** in business income in 2015.*

FIGURE 12: NUMBER OF PEOPLE EMPLOYED AT HISPANIC-OWNED FIRMS, BY STATE, 2015



Notes: Hispanic-owned firms are defined as those with at least 50 percent Hispanic ownership. In South Dakota, North Dakota, Montana, Washington, and New York, the exact number of people employed at firms half owned by Hispanics are withheld for confidentiality reasons, with the government providing only a range. To be conservative, we assume that each of these states have the minimum number of employees in the range given.

To understand the unique contribution of immigrant business owners, we also used Survey of Business Owners and Self-Employed Persons (SBO) data to examine the number of people employed at Hispanic immigrant-owned firms in each state. In 2007, the most recent year for which data is available, more than 200,000 people were employed at such firms in both California and Florida. In Texas, the equivalent figure topped 120,000. We show the figures for all states where more than 10,000 people are employed at Hispanic immigrant-owned firms in Figure 13. These

include some states which are considered relatively new destinations for Hispanic immigrants—including Georgia, Nevada, and North Carolina.<sup>20</sup>

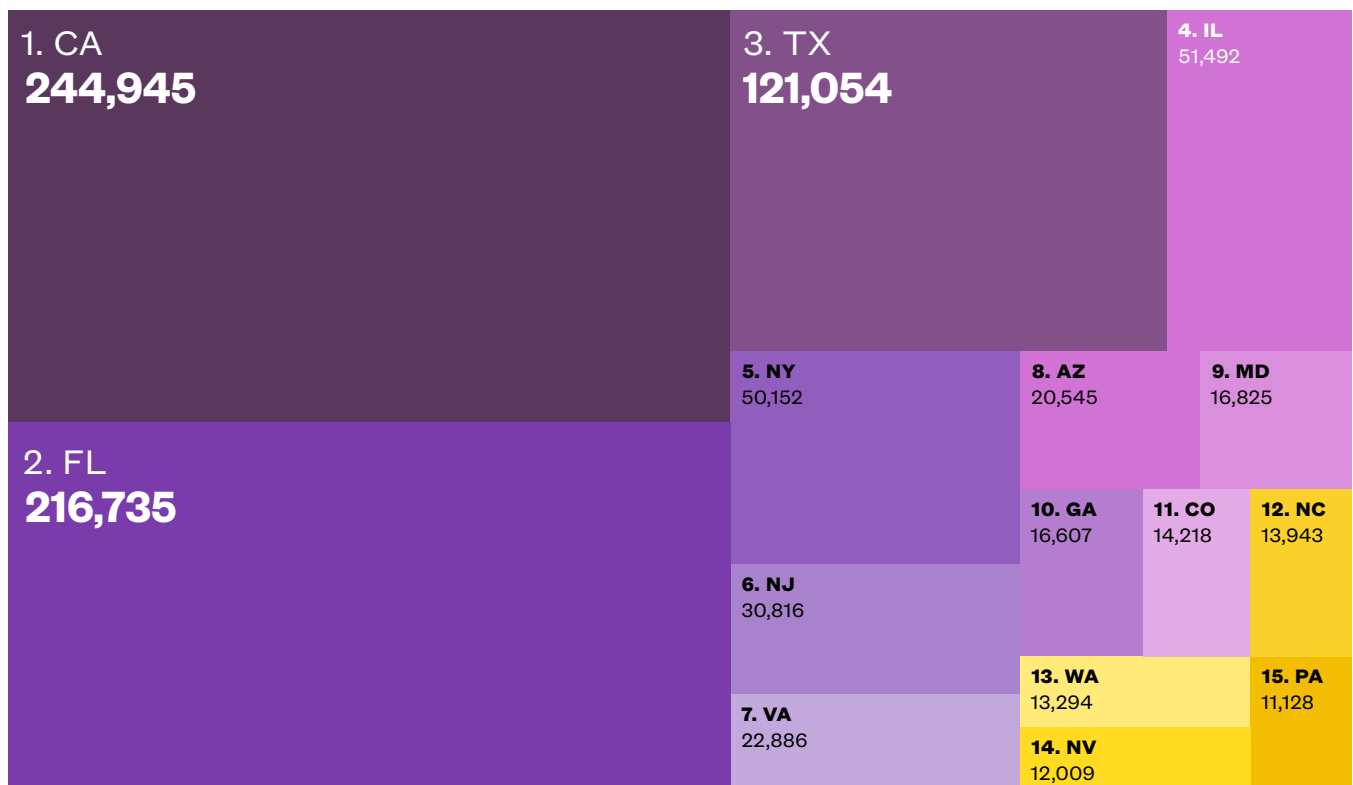
Lauro Davalos, a store owner in Racine, Wisconsin, is typical of many Hispanic immigrants who have created jobs and opportunities for American workers. His path, however, was a long one. As a boy in rural Mexico, Davalos had to leave school after the first grade to work on his family’s farm. At age 17 he set out alone across the border, unsure exactly what he would do but knowing he could achieve more in the United States.

After a circuitous route through California, Idaho, and Chicago, Davalos took root in Racine, where he landed a job as a grinder, welder, and molder at Racine Steel Castings, then a prominent local employer. With Davalos working the day shift at the steel foundry, he and his wife were able to amass enough savings to buy a tiny corner building in a downtown neighborhood, selling candy and soda. A year later they added groceries, then homemade 99-cent tacos, which his wife let neighborhood children have for a quarter. Soon people across town had tasted those tacos, and by the time Racine Steel Casting closed its doors in the 1990s, ending Davalos’ job of more than 18 years, a combination of the restaurant and rental properties he had purchased was enough to support the family. He was

able to achieve such success, he says, because “this is the country of possibility.”

Today Davalos’ restaurant, La Tapatia, is known across the state for its flavorful ground-beef, hard-shell tacos. While still family run, the business has 10 employees, about half of whom were born in America. Today Davalos splits his time between the family ranch and his 32 Arabian horses, while also still working the restaurant’s night shift. “Work, work, work and save, save,” he tells his children. His savings, in fact, have gone a long way towards continuing the family tradition of success: Davalos put all five of his children through private schools with money he had saved. Today one of his daughters owns a Chicago insurance firm that employs 60 people.

FIGURE 13: TOP STATES BY NUMBER OF PEOPLE EMPLOYED AT HISPANIC IMMIGRANT-OWNED FIRMS, 2007



Total Employed in Top 15 States: **856,649**

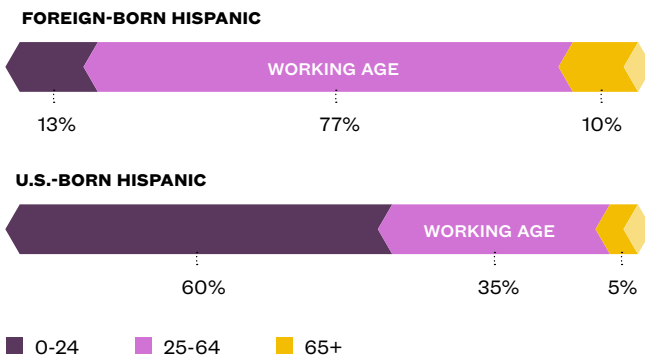
Source: Survey of Business Owners and Self-Employed Persons (SBO), 2007.

PART IV

# Workforce Contributions

In 2015, almost half of Hispanics were working age, or between the ages of 25 and 64. While this share is equivalent to the share for the entire U.S.-born population, it is distinct in several ways. Most importantly, as we discussed earlier, the population of U.S.-born Hispanics skews much younger than the U.S.-born population as a whole, with more than 60 percent of Hispanic natives falling below the age of 25. The picture, however, is somewhat different for Hispanic immigrants. More than three out of every four Hispanic immigrants were in the prime of their working years in 2015, making them a critically important part of our workforce now. (See below.)

FIGURE 14: AGE BREAKDOWN OF HISPANIC POPULATION, FOREIGN-BORN AND U.S.-BORN, 2015



Source: Author's analysis of the American Community Survey, 2015.

Indeed, Hispanics as a whole are already widely represented in several industries critical to the U.S. economy. In 2015, the agriculture, fishing, forestry, and hunting industry contributed more than \$175 billion to the U.S. Gross Domestic Product (GDP), providing jobs to two million hired farmworkers nationwide. Hispanics

made up a large share of the workforce in the industry, helping farms and businesses to thrive and be able to operate on U.S. soil. Foreign-born Hispanics represent 26.9 percent of all workers in the industry, while Hispanics overall make up close to a third of the workforce.

Hispanic workers also make up a large share of the labor force in several other industries. In 2015, 27.5 percent of individuals employed in the administrative support and waste management sector were Hispanic. That sector includes a variety of roles—most notably, grounds maintenance workers; janitors and building cleaners; and security guards.<sup>21</sup> Similarly, the more than 2.9 million Hispanics in the accommodation and food service sector represented 25.4 percent of all such workers. We show the top industries reliant on Hispanics workers and Hispanic immigrant workers in Figures 15 and 16 on the following page.

*U.S.-born Hispanics skew much younger than the population as a whole, with **more than 60%** of them falling below the age of 25 in 2015.*

FIGURE 15: INDUSTRIES WITH THE LARGEST SHARE OF HISPANIC WORKERS, 2015

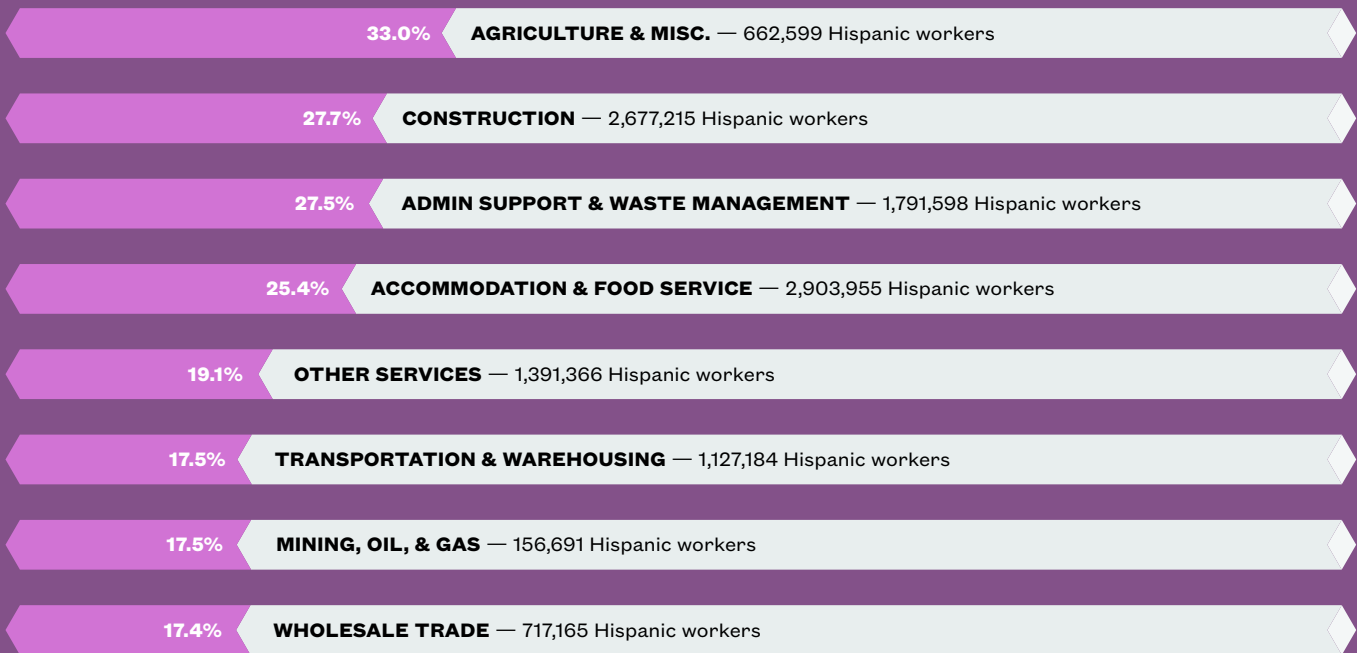


FIGURE 16: INDUSTRIES WITH THE LARGEST SHARE OF FOREIGN-BORN HISPANIC WORKERS, 2015

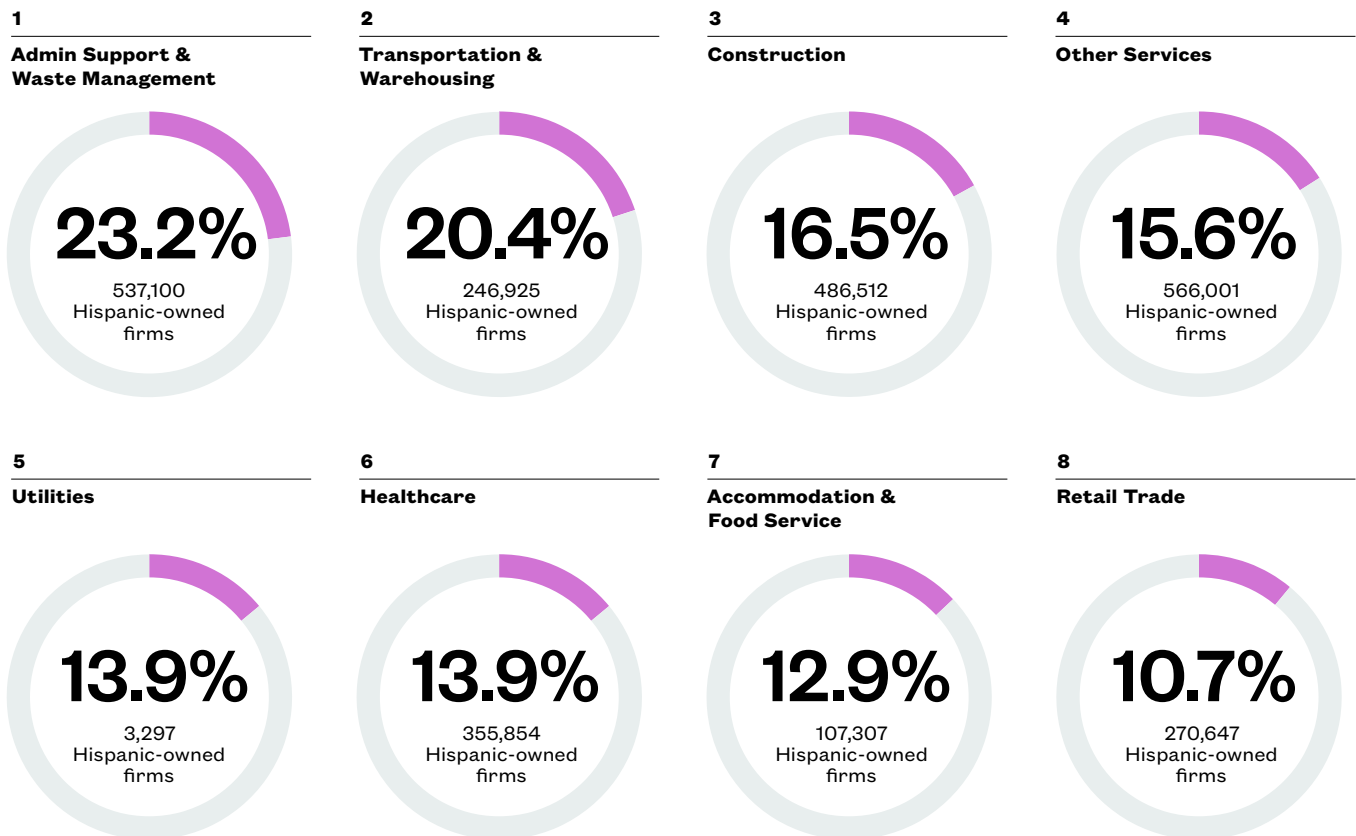


Hispanic workers have also been critical in recent years to the overall health of our country’s construction industry, a sector that added \$732.1 billion to U.S. GDP in 2015 alone.<sup>22</sup> In recent years, as the housing market has heated up once again, construction companies have faced real labor challenges. One recent survey from the Associated General Contractors of America, for example, found that 86 percent of construction firms were struggling to fill open positions, particularly for carpenters, plumbers, or other skilled trades.<sup>23</sup> Once again, Hispanic workers make up a large component of the existing workforce that has stepped up to fill such vacancies. In 2015, almost 2.7 million Hispanics worked in the construction industry, making up 27.7 percent of all construction workers. Foreign-born Hispanics

alone had a significant presence. One out of every five construction workers in 2015 was a Hispanic immigrant.

Hispanic Americans also make sizable contributions in the construction sector by starting businesses and creating jobs for U.S. workers. In 2012, the most recent year for which data is available, more than 460,000 construction businesses in the United States — or one out of every six firms — were majority owned by Hispanics. Hispanic business owners also played a large role in several other essential sectors. In 2015, Hispanics owned more than one out of every five transportation and warehousing companies and almost one in four firms in the broad industry category including administrative support and waste management. (See Figure 17.)

FIGURE 17: INDUSTRIES WITH THE LARGEST SHARE OF FIRMS OWNED BY HISPANICS, 2012



Source: Survey of Business Owners and Self-Employed Persons (SBO), 2012.

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*In 2012, more than 460,000 construction businesses in the United States—or one out of every six firms—were majority owned by Hispanics.*

One example of a successful Hispanic-owned construction firm is The Penna Group, a company based in Fort Worth, Texas. Founded by Michael Evangelista-Ysasaga, a lawyer and self-made entrepreneur, the design-build firm specializes in federal infrastructure projects and recently received excellent ratings for a complex bridge project. The company largely performs its own work, meaning that at least 40 percent of its workers are direct hires as opposed to subcontracted

labor. “We’ve had a lot of American Recovery and Reinvestment projects because we’re such a proven job creator,” Evangelista-Ysasaga says.

Evangelista-Ysasaga, who left home at age 16 and briefly lived in his car, started doing construction jobs in college to pay for school. He soon launched his own, small construction business and retained it through law school and for 15 years as a law associate and partner, “to keep my hands dirty,” he jokes, before founding The Penna Group in 2006. Now, with multiple multimillion dollar projects typically underway at once — past projects include flood-control excavations, border-road development, and military-building renovations — his firm employs between 75 and 175 workers year-round and as many as 250 during busy periods. Evangelista-Ysasaga says 80 percent of his hires are Hispanic. He himself descends from both recent Mexican migrant workers and Spanish Basques who arrived in America in 1493.

The firm’s success has already earned Evangelista-Ysasaga accolades. The Penna Group’s initial growth was so impressive that in 2010 Inc. magazine named it the top Hispanic-run private company in the country. That year the firm had \$15.5 million in annual revenue, and a 9,525 percent three-year growth rate. “Every day I wake up and I can’t believe it,” he says. “These are numbers I couldn’t have even conceived of.”



PART V

# Voting Power

**B**ecause the majority of Hispanics in America are U.S. citizens, Hispanic Americans have long had a broad impact at the voting booth. This has become even truer in recent years, as the population has grown rapidly and the large population of younger U.S.-born Hispanics has aged into the electorate. In the last two decades, the number of Hispanic voters has grown far faster than any other comparable demographic group. While only 13.2 million Hispanics were eligible to vote in 2000, that number had reached 27.3 million by 2016.<sup>24</sup> (See Figure 18.) Given current demographic trends, it is likely such shifts will only continue in the coming decade as current seniors are replaced by younger voters. While only 7.9 percent of today’s senior population identifies as Hispanic, a full 24 percent of those projected to graduate from U.S. high schools in the decade do.<sup>25</sup>

Given these trends, it is not surprising that a record number of Hispanics are estimated to have voted in the 2016 election. Pundits have credited Hispanics with helping to cement Democratic victories in Nevada, Col-

orado, and Virginia.<sup>26</sup> They also helped Democrats reach record levels of support in Arizona and Texas, both long-time Republican strongholds.<sup>27</sup>

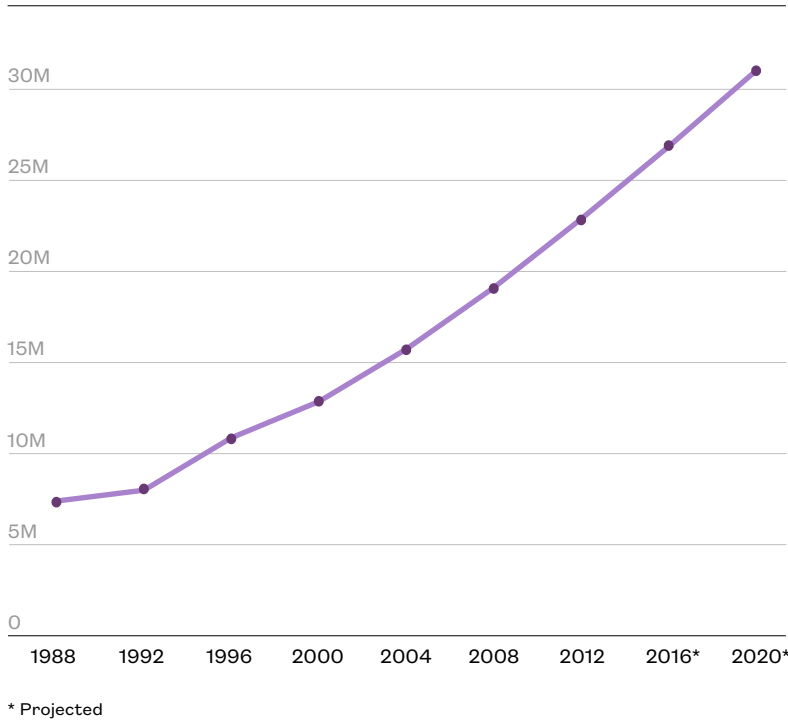
In this section, we show just how important this growing portion of the electorate will be to the next Presidential election. Between 2015 and 2020, we estimate that almost

5.7 million Hispanics will become eligible to vote for the first time. That means that by 2020, a record 31.5 million Hispanic Americans will be eligible voters, a group that will include 7.7 million eligible Hispanic immigrants. The growth in the population of eligible Hispanic voters is driven largely by citizens aging into the electorate. We estimate that more than three out of four newly eligible voters will be citizens who turned 18 between 2015 and 2020. (See Figure 19.)

While the national figures alone are impressive, they gain more meaning when we focus specifically

on some of the states that have played the largest role deciding elections in recent years. By 2020 the number of eligible Hispanic voters that will be present in several

**FIGURE 18: GROWTH IN THE NUMBER OF ELIGIBLE HISPANIC VOTERS, 1988-2020**

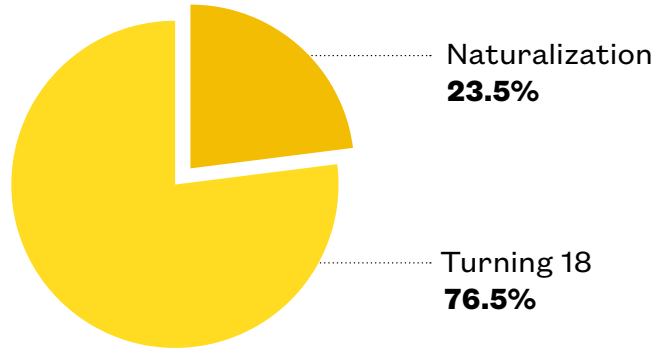


Sources: Data for 1988-2016 from the Pew Research Center Hispanic Trends Project. 2020 data is from New American Economy analysis of demographic trends in the 2015 American Community Survey.

FIGURE 19: HOW HISPANICS ARE BECOMING ELIGIBLE TO VOTE, 2015-2020

Between 2015 and 2020, **5.7M Hispanics** will become eligible to vote.

**Where will they come from?**

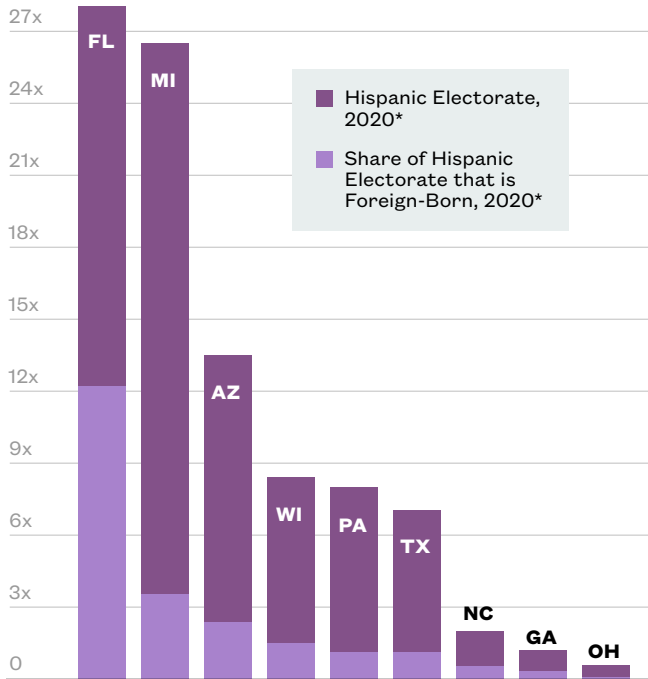


Source: Author's analysis of American Community Survey, 2014, and Department of Homeland Security Yearbook, 2007-2014.

battleground states far eclipses the Republican margin of victory in the 2016 election. For instance, North Carolina, a state Republicans carried by 173,315 votes in 2016, will be home to an estimated 348,539 eligible Hispanic voters by 2020. Similarly, the number of potential Hispanic voters in both Wisconsin and Pennsylvania will be roughly eight

times the size of the 2016 Republican margins of victory. In Florida and Michigan, the figures are particularly dramatic: Both states will have more than 25 times as many eligible Hispanic voters than the number of votes that decided the presidential race in the state. (See Figure 20.)

FIGURE 20: SIZE OF PROJECTED HISPANIC ELECTORATE IN 2020, RELATIVE TO MARGIN OF VICTORY IN SELECTED STATES WON BY REPUBLICANS IN THE 2016 ELECTION



	Eligible Hispanic Voters, 2020*	Eligible Hispanic Voters, Foreign-Born, 2020*	2016 Presidential Margin of Victory	Factor of Hispanic Electorate to Margin of Victory
<b>FL</b>	3,147,136	1,365,359	112,911	<b>27.9</b>
<b>MI</b>	283,244	37,574	10,704	<b>26.5</b>
<b>AZ</b>	1,233,464	214,452	91,234	<b>13.5</b>
<b>WI</b>	193,671	34,415	22,748	<b>8.5</b>
<b>PA</b>	541,457	76,212	68,236	<b>7.9</b>
<b>TX</b>	5,918,859	952,616	807,179	<b>7.3</b>
<b>NC</b>	348,539	90,142	173,315	<b>2.0</b>
<b>GA</b>	412,158	116,685	545,731	<b>0.8</b>
<b>OH</b>	244,094	27,399	446,841	<b>0.6</b>

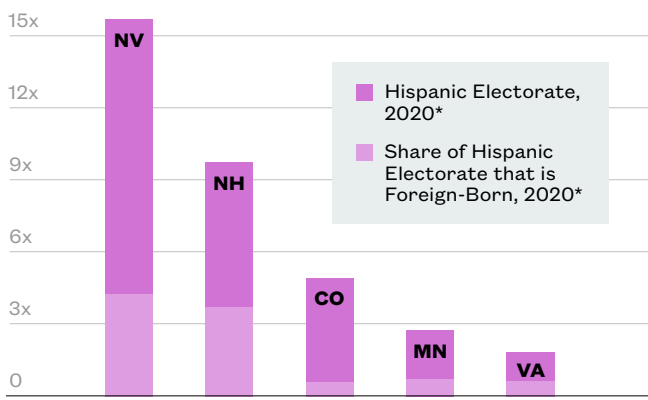
Source: NAE projections based on American Community Survey data, 2015.

\* Projected

The large number of potential Hispanic voters that will be in the electorate by 2020 is important to a number of states. Our data suggest that several states that have been close in recent elections could potentially become less competitive in the coming years due to the increasing presence of Hispanics in their electorates. Nevada, for instance, will be home to an estimated 427,635 eligible Hispanic voters by 2020. In 2016, that state was won by Democratic candidate Hillary Clinton

by a mere 27,200 votes. Similarly, the number of eligible Hispanic voters in Virginia will be close to twice as large as the 2016 margin of victory in that state. That state voted Republican for seven straight presidential elections before going blue in 2008, making its continued demographic shifts of particular interest.<sup>28</sup> We show several blue states that will have significant numbers of Hispanic voters by 2020 in Figure 21 below.

**FIGURE 21: SIZE OF PROJECTED HISPANIC ELECTORATE IN 2020, RELATIVE TO MARGIN OF VICTORY IN SELECTED STATES WON BY DEMOCRATS IN THE 2016 ELECTION**



Source: NAE projections based on American Community Survey data, 2015.

	Eligible Hispanic Voters, 2020*	Eligible Hispanic Voters, Foreign-Born, 2020*	2016 Presidential Margin of Victory	Factor of Hispanic Electorate to Margin of Victory
<b>NV</b>	427,635	115,675	27,202	<b>15.7</b>
<b>NH</b>	26,413	10,135	2,736	<b>9.7</b>
<b>CO</b>	674,408	79,762	136,386	<b>4.9</b>
<b>MN</b>	121,236	30,873	44,593	<b>2.7</b>
<b>VA</b>	377,699	127,047	212,030	<b>1.8</b>

\* Projected

*Nevada will be home to an estimated **427,635** eligible Hispanic voters by 2020. In 2016, that state was won by a mere **27,202** votes.*

Of course, in many of the swing and purple states we highlight in this report, Hispanics have made up a large and growing segment of the eligible voting population for the last decade or more. To understand how 2020 may be unique, it is useful to look at the number of Hispanics in each state who are projected to gain eligibility for the first time in the five years leading up to the 2020 election. In six swing states that went Republican in 2016, the number of newly eligible Hispanics eclipses Trump’s margin of victory that year. (See Figure 22.) Wisconsin, for instance, a state decided by 22,748 votes in 2016, is projected to see 37,280 Hispanics gain eligibility to vote by 2020. The Hispanic electorate in Arizona will gain almost 220,000 newly eligible voters—far more than the 91,234 votes by which Trump carried the state in 2016.

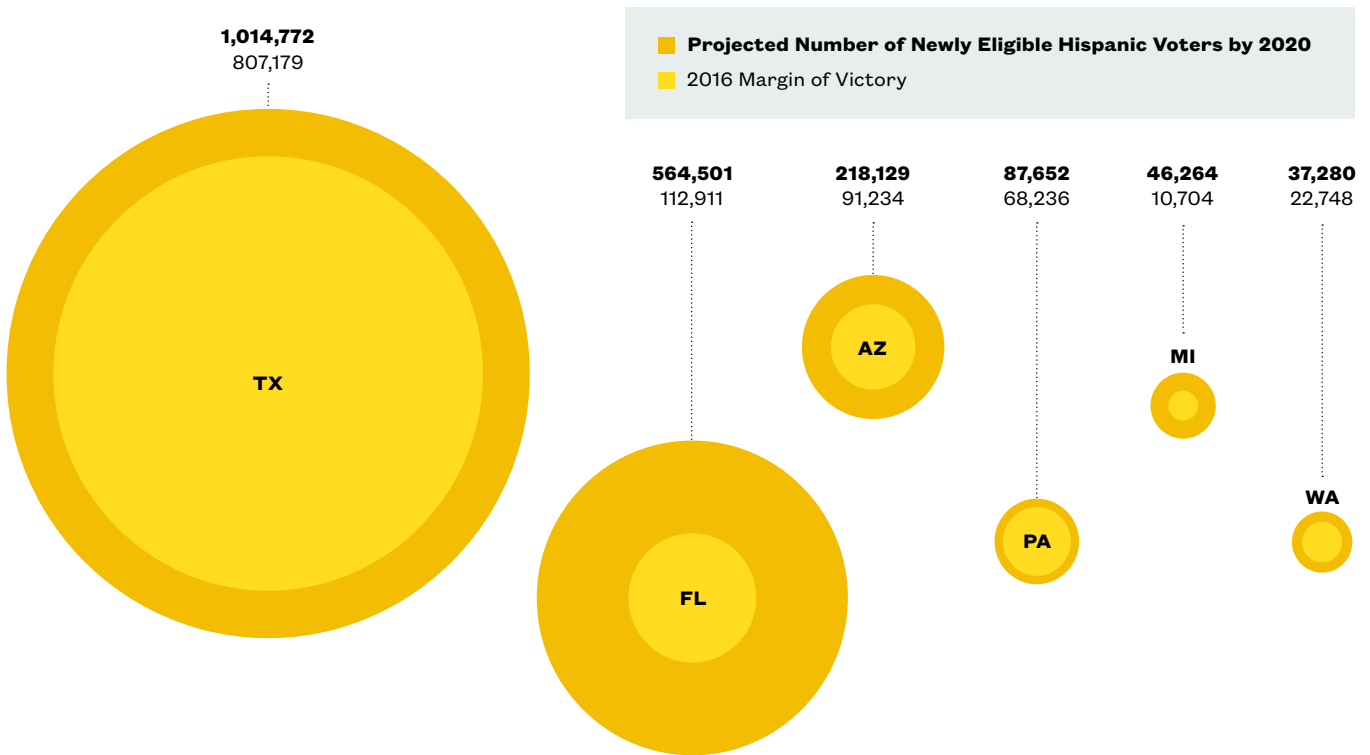
One important thing to note is that a large increase in eligible Hispanic voters does not necessarily translate

into support for one political party over another. In 2004, for instance, at least 40 percent of all Hispanic voters supported Republican former President George W. Bush.<sup>29</sup> Eight years later, more than one out of every four Hispanic voters supported Republican candidate Mitt Romney—a smaller but still significant share.<sup>30</sup> Due to the limited amount of official data currently available, it is harder to reliably estimate the share of the Hispanic vote captured by Trump in 2016.<sup>31</sup> While a prominent election-eve poll estimated only 18 percent of Hispanics supported the Republican candidate, exit polls—a potentially less reliable measure of minority support—showed that share could actually be as high as 28 percent.<sup>32</sup>

The significant share of Republican support among Hispanics drives home the fact that they are a diverse group of voters who align themselves with candidates that take on issues and values that are close to their

hearts. Articles exploring 2016 voting patterns suggest that issues such as shared conservative social or religious values—as well as the simple appeal of pocketbook issues—convinced some Hispanics to side with one party over another.<sup>33</sup> What’s more, despite popular perception, many of these issues were more important to Hispanic voters than immigration. In 2016, Pew Research Center found that a full 80 percent of registered Hispanic voters said immigration issues would be “very important” to their decision on how to vote in the 2016 presidential race. Four other issues, however, had even higher shares of likely Hispanic voters deeming them “very important” to their decision—including the economy, education, healthcare, and terrorism.<sup>34</sup> Finding ways to make the immigration issue less contentious—perhaps through bipartisan legislation—could make it easier for both parties to appeal to these voters on the core issues most important to them.

**FIGURE 22: RED STATES THAT WILL GAIN MORE NEWLY ELIGIBLE HISPANIC VOTERS BY 2020 THAN THE 2016 ELECTION MARGIN OF VICTORY**



Source: NAE projections based on American Community Survey data, 2015.

# 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 more than one out of every 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 are currently the youngest ethnic group on average in the country.<sup>35</sup> What's more, two thirds of young America's young Hispanics, those between the ages of 16 and 25, were born in the United States.<sup>36</sup>

In many 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), smart policy paired with ongoing demographic shifts could have particularly powerful economic implications in the coming decades.<sup>37</sup> Because 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,<sup>38</sup> this makes it likely that the economic power of Hispanics in the country will soon be much larger than documented here. However, addressing inequities in the labor market that hurt Hispanics will be important

to achieving this goal. Helping Hispanics grow their earnings would bring more U.S. workers into the income tax system and could also give Hispanics more discretionary income to spend on goods and services made by others—allowing the U.S. economy to work better not just for Hispanics, but for all American families.

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*Smart policy paired with ongoing demographic shifts could have particularly powerful economic implications in the coming decades.*

# Data Appendix

DATA APPENDIX TABLE 1: SPENDING POWER IN HISPANIC IMMIGRANT HOUSEHOLDS, BY STATE, 2015

Spending Power (in \$millions)		Spending Power (in \$millions)	
<b>AK</b>	\$40.8M	<b>MT</b>	\$13.3M
<b>AL</b>	\$265.6M	<b>NC</b>	\$1,377.6M
<b>AR</b>	\$386.2M	<b>ND</b>	\$34.1M
<b>AZ</b>	\$2,492.0M	<b>NE</b>	\$312.5M
<b>CA</b>	\$25,809.9M	<b>NH</b>	\$61.7M
<b>CO</b>	\$1,249.4M	<b>NJ</b>	\$4,161.3M
<b>CT</b>	\$927.0M	<b>NM</b>	\$596.7M
<b>DC</b>	\$412.8M	<b>NV</b>	\$1,255.8M
<b>DE</b>	\$127.4M	<b>NY</b>	\$8,471.6M
<b>FL</b>	\$11,975.8M	<b>OH</b>	\$479.6M
<b>GA</b>	\$1,905.0M	<b>OK</b>	\$648.8M
<b>HI</b>	\$93.2M	<b>OR</b>	\$749.4M
<b>IA</b>	\$249.7M	<b>PA</b>	\$960.4M
<b>ID</b>	\$275.6M	<b>RI</b>	\$297.7M
<b>IL</b>	\$4,654.6M	<b>SC</b>	\$454.1M
<b>IN</b>	\$641.5M	<b>SD</b>	\$29.8M
<b>KA</b>	\$529.7M	<b>TN</b>	\$471.7M
<b>KY</b>	\$261.8M	<b>TX</b>	\$14,387.7M
<b>LA</b>	\$423.4M	<b>UT</b>	\$662.3M
<b>MA</b>	\$1,420.0M	<b>VA</b>	\$2,007.2M
<b>MD</b>	\$1,719.1M	<b>VT</b>	\$33.1M
<b>ME</b>	\$22.9M	<b>WA</b>	\$1,470.5M
<b>MI</b>	\$594.2M	<b>WI</b>	\$551.9M
<b>MN</b>	\$481.8M	<b>WV</b>	\$16.4M
<b>MO</b>	\$284.2M	<b>WY</b>	\$34.9M
<b>MS</b>	\$111.7M		

Source: American Community Survey (ACS), 2015.

DATA APPENDIX TABLE 2: TAXES PAID BY HISPANIC IMMIGRANT HOUSEHOLDS, BY STATE, 2015

Taxes Paid (in \$millions)		Taxes Paid (in \$millions)	
<b>AK</b>	\$174.2M	<b>MT</b>	\$61.3M
<b>AL</b>	\$926.4M	<b>NC</b>	\$4,916.6M
<b>AR</b>	\$1,166.4M	<b>ND</b>	\$115.1M
<b>AZ</b>	\$8,064.3M	<b>NE</b>	\$1,042.9M
<b>CA</b>	\$91,765.0M	<b>NH</b>	\$248.1M
<b>CO</b>	\$4,625.1M	<b>NJ</b>	\$13,769.5M
<b>CT</b>	\$2,864.0M	<b>NM</b>	\$1,883.4M
<b>DC</b>	\$1,043.6M	<b>NV</b>	\$4,961.1M
<b>DE</b>	\$532.3M	<b>NY</b>	\$23,968.0M
<b>FL</b>	\$38,595.9M	<b>OH</b>	\$1,362.7M
<b>GA</b>	\$6,057.6M	<b>OK</b>	\$2,053.9M
<b>HI</b>	\$276.2M	<b>OR</b>	\$2,738.5M
<b>IA</b>	\$830.0M	<b>PA</b>	\$2,888.1M
<b>ID</b>	\$895.3M	<b>RI</b>	\$941.6M
<b>IL</b>	\$13,983.7M	<b>SC</b>	\$1,480.6M
<b>IN</b>	\$1,965.8M	<b>SD</b>	\$115.3M
<b>KA</b>	\$1,765.5M	<b>TN</b>	\$1,731.9M
<b>KY</b>	\$796.8M	<b>TX</b>	\$49,555.2M
<b>LA</b>	\$1,353.4M	<b>UT</b>	\$2,382.4M
<b>MA</b>	\$4,592.3M	<b>VA</b>	\$6,601.6M
<b>MD</b>	\$5,334.4M	<b>VT</b>	\$92.4M
<b>ME</b>	\$70.2M	<b>WA</b>	\$4,780.3M
<b>MI</b>	\$1,819.3M	<b>WI</b>	\$1,739.4M
<b>MN</b>	\$1,630.0M	<b>WV</b>	\$55.5M
<b>MO</b>	\$916.2M	<b>WY</b>	\$160.1M
<b>MS</b>	\$341.1M		

Source: American Community Survey (ACS), 2015.

DATA APPENDIX TABLE 3: NUMBER OF PEOPLE EMPLOYED AT HISPANIC-OWNED FIRMS, BY STATE, 2015

Number of People Employed at Hispanic-Owned Firms, 2015		Number of People Employed at Hispanic-Owned Firms, 2015	
<b>AK</b>	3,190	<b>MT</b>	3,037
<b>AL</b>	11,853	<b>NC</b>	28,214
<b>AR</b>	8,834	<b>ND</b>	1,100
<b>AZ</b>	73,433	<b>NE</b>	5,859
<b>CA</b>	612,178	<b>NH</b>	1,898
<b>CO</b>	44,297	<b>NJ</b>	67,768
<b>CT</b>	17,889	<b>NM</b>	58,915
<b>DC</b>	8,653	<b>NV</b>	28,730
<b>DE</b>	2,949	<b>NY</b>	114,156
<b>FL</b>	380,063	<b>OH</b>	27,308
<b>GA</b>	43,232	<b>OK</b>	18,025
<b>HI</b>	4,008	<b>OR</b>	21,156
<b>IA</b>	5,626	<b>PA</b>	29,265
<b>ID</b>	5,795	<b>RI</b>	2,171
<b>IL</b>	102,938	<b>SC</b>	11,785
<b>IN</b>	19,933	<b>SD</b>	1,162
<b>KA</b>	12,709	<b>TN</b>	21,491
<b>KY</b>	15,052	<b>TX</b>	608,360
<b>LA</b>	21,440	<b>UT</b>	12,860
<b>MA</b>	20,975	<b>VA</b>	48,264
<b>MD</b>	35,385	<b>VT</b>	840
<b>ME</b>	712	<b>WA</b>	32,942
<b>MI</b>	26,044	<b>WI</b>	18,095
<b>MN</b>	8,817	<b>WV</b>	2,516
<b>MO</b>	15,418	<b>WY</b>	3,275
<b>MS</b>	4,296		

Source: Survey of Business Owners and Self-Employed Persons (SBO), 2012.

Notes: Hispanic-owned firms are defined as those with at least 50 percent Hispanic ownership. In South Dakota, North Dakota, Montana, Washington, and New York the exact number of people employed at firms half owned by Hispanics are withheld for confidentiality reasons, with the government providing only a range. To be conservative, we assume that each of these states have the minimum number of employees in the range given.



# Methodology Appendix

**T**he report used the 2015 American Community Survey (1-year data from Integrated Public Use Microdata Series (IPUMS) to quantify the tax contributions and spending power of Hispanic Americans and Hispanic immigrants. The demographic data across different years are also obtained from ACS 1-year data between 2005 and 2015.

The main population of interest in the report is the overall Hispanic population in the United States, defined as the population that identified themselves as Hispanics in their ethnicity. Following the lead of the U.S. Census Bureau, these individuals can be of any race—or even of mixed race status.<sup>39</sup> This brief also presents extensive results on Hispanic immigrants, defined as the Hispanic population living in the U.S. born in other countries.

In this report, we defined spending power as the disposable income in hands of the households after extracting federal, state, and local taxes from household incomes. First, we aggregated the household income by state as well as by income quintile, and then calculated the state and local taxes based on the tax rates estimate by the Institute on Taxation and Economic Policy.<sup>40</sup> As for federal tax, we used the data released along with a report from the Congressional Budget Office in 2015 and calculated the federal tax based on the federal tax bucket that they are in.<sup>41</sup> After that, we obtained the disposable income by extracting the federal as well as state and local tax state by state for different populations of interest (Hispanics overall, foreign-born Hispanics, and the broader U.S. population). A household is defined as a Hispanic household if the householder is Hispanic, and a foreign-born Hispanic household is a household with a foreign-born Hispanic householder.

Social Security and Medicare contributions are drawn from taxes on an individual's wage earnings.<sup>42</sup> This is far different from a household's overall income, which may include other revenue streams such as rental income and returns on investments. To account for this difference

between overall federal taxes and Social Security and Medicare contributions, we estimate Medicare and Social Security contributions based on wage and salary data provided at the individual level in the ACS. For self-employed individuals, we use the self-employment income as the income base. The amount of earnings that can be taxed by the Social Security program is capped at \$117,000, while there no such limit for the Medicare program.<sup>43</sup> We use a flat tax rate of 12.4 percent to estimate Social Security contributions and 2.9 percent for to capture Medicare contributions. This estimates the total amount that immigrants and their employers contributed in 2015.<sup>44</sup>

It is also worth noting that half of the amount contributed to Social Security and Medicare (6.4 percent of Social Security tax rate and 1.45 percent of Medicare tax rate) comes from individual workers, while the other half comes directly from their employers. Self-employed workers have to pay the full tax themselves. When estimating Social Security and Medicare contributions, we include all individual wage earners in the households and aggregate the amount paid by state.

## 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.<sup>45</sup> 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.

## **Voting Estimates**

In this report, we estimate the number of Hispanic voters who will be eligible to vote by 2020. These estimates include the population of Hispanic citizens already eligible to vote in 2015 plus those ages 13 to 17 in 2015 (thereby becoming voting age by 2020). Applicable mortality rates of Hispanic population are also applied to the Hispanic voters who were already eligible in 2015 to project the number of voters surviving to 2020. In addition, we estimate newly naturalized Hispanic citizens using data from the Department of Homeland Security’s Yearbook of Immigration Statistics. We make the projections by averaging total number of new naturalizations for each state for every two-year period between 2008 and 2015. We also use the same methodology to estimate the number of foreign-born Hispanic eligible voters in 2020.

# Endnotes

- 1 The terms “Hispanic” and “Hispanic” are used interchangeably by the U.S. Census Bureau and throughout this document to refer to people of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race. The terms Hispanic and Hispanic are used interchangeably in this report.
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