

Undocumented Labor and Tax Deductions

October 2, 2010

A major issue today is how to deal with illegal immigration. Illegal immigrants, that is, those individuals who entered the U.S. without legal authorization or who are violating the terms of their VISA's are estimated by various reports to exceed 11,000,000 people. The undocumented worker is a political dividing line, and an economic issue. Assuming that there is a desire to reduce the size of the undocumented worker labor force, are the legal mechanisms today adequate for the job. Some commentators, say no and some say that immigration reform is the only solution. I wonder whether a change in the Internal Revenue Code to disallow the deduction for hiring undocumented or falsely documented workers would be of some deterrence value. This is only a question, but here is the issue.

Right now, the undocumented immigrant can (a) work for cash, or (b) acquire false identification and present the false information when hired. If the employer obtains the proper paper work, such as an employment application, Form W-4 and Form I-9 the employer is somewhat secure from prosecution, assuming that the employer did not know the information presented was false. If the worker later turns out to have used false i.d. the worker is terminated and the employer may face sanctions for inadequate due diligence in hiring. Should Congress now consider amending the Internal Revenue Code to disallow the deduction for employees who are determined to have used false identification when the employer is complicit? This is an approach that may be worth considering in the current political dialogue.

Law Offices of Sanford I. Millar

Office: 310-556-3007

Fax: 310-556-3094

Address: 1801 Avenue of the Stars, Suite 600

Los Angeles, CA. 90067

Email: smillar@millarlaw.net

<http://www.taxattorneycalifornia.net/legal-blog/>