

April 4, 2007

DOW JONES REPRINTS

◀R This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

Even Workers In U.S. Illegally Pay Tax Man

Booming Los Angeles Business Caters
To Immigrants Who Need Help Filing

By MIRIAM JORDAN

April 4, 2007; Page B1

LOS ANGELES -- On a recent Sunday afternoon, construction workers, car washers, truck drivers and students crowded into Petra Castillo's one-room tax-preparation office in this city's South Central neighborhood. Most of those inside what was once the home of El Jefe Tacos shared something besides their need to beat this year's April 17 filing deadline: They are illegal immigrants.



Michael Justice

Petra Business Services

"They are undocumented, but they want to do everything right," says Mrs. Castillo, 50 years old, who has a no-nonsense demeanor as she juggles phone calls and customers, mainly speaking in Spanish.

Politicians and activists campaigning for a crackdown on illegal immigration frequently complain that the nation's estimated 12 million undocumented residents violate U.S. law by not paying taxes, as well as by being in the U.S. without permission. But Mrs. Castillo's booming business shows how some of the workers who are here in defiance of one arm of the U.S. government -- the Department of Homeland Security -- are filing federal tax returns with the aggressive encouragement of another -- the Internal Revenue Service.

"If someone is working without authorization in this country, he or she is not absolved of tax liability," IRS Commissioner Mark Everson, a former immigration official, said in testimony before Congress last year. Last week, speaking to the National Press Club, he added, "We want your money whether you are here legally or not and whether you earned it legally or not."

In 1996, the IRS created the individual taxpayer identification number, or ITIN, a nine-digit number that starts with "9," for taxpayers who didn't qualify for a Social Security number. Since then, the agency has issued about 11 million of them, and by 2003, the latest year with available figures, the number of tax returns using them had risen to nearly one million. The government doesn't know how many of those taxpayers were undocumented immigrants. Foreign nationals with tax-reporting requirements in the U.S. can also get an ITIN. But most of the people who use the number are believed to be in the U.S. illegally. All told, between 1996 and 2003, the income-tax liability for ITIN filers totaled almost \$50 billion.

As part of its outreach effort, the IRS has been helping taxpayers apply for ITINs through partnerships with community groups. Last week, the Center for Economic Progress, a nonprofit group in Chicago, hosted its fourth ITIN event of the tax season at a church on the city's South Side, helping individuals apply for the number and file in one sitting.

Critics say the government is legitimizing the presence of illegal immigrants by encouraging them to file tax returns. "A major organ of the U.S. government is saying it's OK to be illegal as long as you send in your return," says Mark Krikorian, executive director of the Center for Immigration Studies, which supports tighter immigration controls.

The decision to report wages and withheld taxes can be a hard one for illegal immigrants, though, because they normally use an invalid Social Security number to obtain work. Mrs. Castillo must attach the W-2, often with a fake Social Security number, to the tax return, along with the ITIN. The IRS instructs tax preparers to fill in Social Security numbers as they are shown on the W-2 form, even if the numbers are invalid.

Mrs. Castillo assures her customers that the IRS doesn't share information with Homeland Security. The tax code prevents disclosure of taxpayer information except in limited circumstances. In his National Press Club speech, Mr. Everson said: "There is no bleeding over of information from the IRS to the Department of Homeland Security at this stage. The systems are independent."

Most illegal immigrants who visit Petra Business Services, as Mrs. Castillo's business is called, say they hope that filing a tax return will eventually boost their chances of securing a green card. A bipartisan immigration bill introduced in Congress last month requires proof of "good moral character" in order for illegal residents to qualify for permanent U.S. residency. The last immigration amnesty, in 1986, required them to prove they had lived and worked in the U.S. for several years.

The possibility of getting a refund is another motivation: Because undocumented workers normally use a fake Social Security number to work, their Social Security and Medicare contributions won't do them any good. Filing a tax return with an ITIN gives them a shot at getting some withheld money back.



Michael Justice

Undocumented workers wait inside the former taco stall, where Petra Business Services helps them file their tax returns.



Michael Justice

Petra Castillo at her South Central Los Angeles office.

"The rules of this country say that everyone must file taxes," says Pablo Espinoza, a welder. "I am complying with the rules." The Mexican immigrant and his wife, Martha, who works in a chicken-processing plant, earned about \$42,000 last year. Mr. Espinoza acknowledges that he and his wife are here illegally. But in every other respect, he says, they are law-abiding residents. "We work hard. We have a clean record. We file our taxes," he says.

Mrs. Castillo jots down the couple's ITIN numbers on their 1040 form. Last year, \$1,464.88 in Social Security and \$342.60 in Medicare were deducted from Mr. Espinoza's wages. His wife paid several hundred dollars in Social Security and Medicare, too. In addition, \$3,508 in federal taxes was withheld from their combined salaries. Mrs. Castillo figures they will get a \$3,462 refund from the IRS, putting their total federal tax bill at \$46.

Berenice Reyes, a 24-year-old student, has brought W-2 forms for two years of work at a sandwich shop. She says she wants to pay her taxes to prove she could be a good citizen. Since it's her first time filing taxes, Mrs. Castillo helps her fill out a W-7 ITIN application, which states that "getting an ITIN does not change your immigration status or your right to work in the U.S."

The irony of filing a tax return isn't lost on Ms. Reyes, who works to pay her college tuition and aspires to teach high school in South Central. "I'm trying to go by the law," she says. "But according to other laws, I shouldn't even be in this country."

Mrs. Castillo started working as a clerk in the IRS's Los Angeles office in the mid-1970s. Eventually, she began volunteering during tax season at a church in South Central. In time, Mrs. Castillo decided she wanted to start her own tax business, so she quit the IRS job to avoid a conflict of interest and took another full-time post at a different government agency. She launched the business on the side, charging people to fill out their returns from an improvised office on her parents' covered front porch. In 1999, her husband, Gerardo, converted a dilapidated taco stall into an office.

Mrs. Castillo charges a fraction of what large tax preparers charge -- a flat \$40 for a simple 1040A form. She spends about 20 minutes a customer, often inquiring about deductibles that they might have overlooked. Because the undocumented immigrants hear about her by word of mouth, they say they feel more comfortable at her office than they would at a large tax-preparation firm. Customers who have moved to Texas, Arizona and the Southeast still use her services, often sending their documents by fax or mail.

Write to Miriam Jordan at miriam.jordan@wsj.com¹