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Whether and How to Tax a Skilled Temporary Worker Visa: Comment on Borjas and Clemens [*]

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Abstract

The demand for H-1B visas clearly outstrips supply, and firms are likely willing to pay more than they currently do to hire an H-1B worker. However, early evidence suggests a fee of $100,000 or more is likely too high and will shrink the number of high-skilled foreign-born workers, with negative economic and fiscal repercussions that extend well beyond the harm to the would-be employer. A better allocation system would be auctioning off permits to employers that enable them to hire H-1B workers. This would ensure a price that exhausts the visa cap, as well as raise revenue and increase the economic contribution of new hires.

JEL codes: J08, J38, J68, H21

Keywords: H-1B visa, high-skilled immigration, visa fees, visa tax

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1. Introduction

Recent policy changes have resulted in unprecedented fees on H-1B visas, increasing them tenfold in some cases. Justification for the fee hikes rests on the assumption that employers are willing to pay higher fees, in part because H-1B workers are underpaid relative to similar U.S. workers. Understanding how such high fees are likely to affect the demand for H-1B visas and the characteristics of the workers who hold them is important since H-1B visas are the primary way for employers to hire highly educated foreign nationals to work long term in the United States. For highly educated immigrants, an H-1B visa is the main pathway that allows them to build a career in the United States and eventually obtain permanent resident status and U.S. citizenship. The visas have become extremely popular, with demand far outstripping the supply of 85,000 new visas available in numerically capped categories each fiscal year. Nevertheless, they have generated considerable controversy, especially over whether H-1B visa holders adversely affect the employment and earnings of similar U.S. natives.

The papers by Borjas (2026) and Clemens (2026) in this symposium closely examine the question of whether workers who hold an H-1B visa are paid less than similar U.S. workers. At the end of the day, it remains unclear what the answer is, in part because the data on starting base wages paid to H-1B visa recipients give an incomplete picture.[1] As Clemens argues, those data do not include bonuses, the value of stock options, and other non-base compensation that form a

[1] Borjas and Clemens focus on data from initial petitions for H-1B visa holders over 2021-2024. Yang (2026) reports results similar to Borjas's in a comparison of H-1B petitions with American Community Survey (ACS) data over 2014-2024. However, a similar analysis of initial and continuing or renewal petitions for 2009 by Lofstrom and Hayes (2011) concludes that H-1B workers in five broad STEM occupation groups earn more than similar U.S. workers in the ACS, on average. Analysis of income data from the National Survey of College Graduates – one of the few U.S. surveys that asks about visa type – indicates that college-graduate workers who hold a temporary work visa earn more than similar U.S. natives, on average (Bagheri 2023). In online salary surveys conducted by the IT publication *InformationWeek*, H-1B visa holders who work in IT reported higher earnings than similar U.S. citizens (Mithas and Lucas 2010). A key advantage of the last two studies is that they compare the same measure of income across immigrants and natives, versus comparing base pay in H-1B petitions with a broader measure of pay in the ACS.

non-trivial share of compensation for many skilled workers, and those other forms of compensation are included in the comparison data for U.S. workers. Further, the data say nothing about what happens to H-1B visa holders' wages over time relative to U.S. workers. We might reasonably expect H-1B visa holders to initially earn less than similar U.S. workers, especially if they are coming from abroad – they may be less familiar with U.S. labor market institutions and may lack some of the English language skills and social capital that are valuable in many workplaces. Indeed, Borjas reports that likely H-1B visa holders experience faster wage growth than other, similar workers.[2] That said, holding an H-1B visa appears to dampen workers' mobility and earnings, as immigrants' wages typically increase slightly – about 0.7 to 7 percent – after transitioning from an H-1B visa to permanent resident status (a "green card"), especially if they switch employers (Hunt and Xie 2019; Wang 2021). Employers thus may earn some monopsony rents from employing H-1B visa holders, but those rents appear to be fairly small, on average.

In Borjas's analysis, the rents earned by employers from hiring workers who hold an H-1B visa enable the government to impose a tax on those employers.[3] The goal of such a tax, in Borjas's analysis, appears to be to raise government revenue, as well as increase the skill level of H-1B workers. Interestingly, Borjas does not argue explicitly in this paper for taxing H-1B visas in order to improve labor market outcomes of U.S. natives. Meanwhile, Clemens (2026a) argues that the lack of a wage gap invalidates much of the grounds for a tax, but also that there are additional issues with a tax on H-1B visas. First, a tax deepens the monopsony distortion that arises from H-1B visa holders' limited mobility and shifts employment of H-1B visa holders

[2] Consistent with this, Lofstrom and Hayes (2011) report that the positive wage gap relative to similar U.S. workers is larger for H-1B continuing or renewal petitions than for initial petitions.
[3] We use the words "fee" and "tax" interchangeably to describe the additional H-1B visa payments that the Trump administration has attempted to require or has proposed.

toward the most monopsonistic employers, which are the most willing to pay a tax. Second, a tax reduces U.S. natives' welfare, because natives own firms that have to pay the tax and because natives who are complements with H-1B workers will see their labor market outcomes worsen.

We argue that H-1B visa holders are likely paid less than their marginal product, based on the quota being consistently massively oversubscribed and the evidence that H-1B workers' wages rise once they obtain permanent resident status. This suggests that even after accounting for fees and legal costs, employers earn rents when hiring H-1B workers. H-1B workers may earn slightly less than comparable U.S.-born workers, but that is not a necessary condition for them to create rents – the limited job mobility of H-1B visa holders, especially if they are stuck in the green card backlog, reduces turnover costs and is likely an important benefit of employing them.[4] As green card queues have grown longer in recent years, H-1B workers' lack of mobility has likely worsened, a reality presumably not lost on their employers. Limits on mobility not only reduce H-1B holders' bargaining power and create rents for employers, but also generate economic inefficiency by preventing workers from moving to jobs where their skills are valued more highly. Easing mobility constraints is a key area for reform, as noted by Clemens (2026a).

Until such reforms occur, the question remains: if policymakers want to extract these rents from firms, either to collect revenue, boost the average quality of H-1B workers, improve the competitiveness of similar U.S.-born workers, or all of the above, what is the best way to do this? We argue that an arbitrarily set nominal fee, as proposed in Borjas (2026) and attempted

[4] Wang (2021) reports a discrete jump in mobility right after green card receipt and that the green card application process reduces job mobility by at least 34.5% among temporary work visa holders. Borjas (2026) estimates that H-1B visa holders have a job mobility rate between 40-50% of that among highly educated workers overall. Depew et al. (2017) report a roughly 36% quit rate, which implies a move to another employer, over a 6-year period among H-1B visa holders who work for several big Indian IT outsourcing firms; the lowest-paid workers are the most likely to quit. Shen (2021) reports a drop in stock prices of firms that sponsor large numbers of workers for green cards when there was an unexpected clearing of the employer-sponsored green card queue in 2007, consistent with limited mobility of H-1B workers creating rents for firms.

twice thus far by the Trump administration, is far inferior to an auction-derived fee.[5] An auction would involve determining the desired number of visas and then auctioning off permits to hire foreign workers to firms. Auctions ensure that market forces prevail in a way that not only raises government revenue and reduces the rents accruing to firms, but also brings in the most highly valued foreign workers. There are other ways to reduce those rents, such as raising the visa cap and increasing the wage floor, but they would generate less government revenue. Lastly, given that a considerable literature indicates positive spillovers from skilled immigration, we discuss whether it makes sense to tax H-1B visas at all given the likely negative effects of a tax on innovation, investment, and complementary native workers.

2. Background on the H-1B visa

The H-1B visa was created in 1990 to enable employers to hire relatively skilled foreign workers in occupations that require specialized knowledge. Although H-1B visas are temporary – valid for three years and renewable only once when the visa was first created – they allow for "dual intent," or H-1B visa holders can apply for permanent residence. When petitioning for H-1B visas, employers must attest that H-1B visa holders will not adversely affect the wages and working conditions of similar U.S. workers, but they typically are *not* required to "test the labor market," such as by demonstrating that they are unable to hire a qualified U.S. worker, a requirement for many other employment-based visas.[6] Employers must pay H-1B visa holders at

[5] Borjas (2026) appears to agree that an employer-side auction is preferable to a fixed fee.
[6] Employers whose number or share of workers who hold an H-1B visa exceeds a size-based threshold must attest that they tried and failed to recruit U.S. workers. They must also promise not to displace a similarly employed U.S. worker within 90 days of the petition and are supposed to check that a third-party worksite hasn't displaced U.S. workers. However, those requirements do not apply if the H-1B visa holder will be paid at least $60,000 a year or holds at least a master's degree, conditions that make these requirements largely irrelevant. More recently, the Trump administration issued an executive order requiring that whether employers have laid off similar U.S. workers be taken into account when issuing H-1B visas. See https://www.whitehouse.gov/presidential-

least the higher of the prevailing wage, which is set by the U.S. Department of Labor (DOL) based on occupation, location, and skill level, and the actual wage they pay to similar workers.

The H-1B visa category has undergone several notable changes since its inception, including raising the cap, making the visas more portable, and allocating oversubscribed visas via lotteries. The cap was initially set at 65,000 new visa issuances per fiscal year (FY). Congress temporarily increased the cap during the dot-com boom of the late 1990s, but then allowed it to revert to its initial level. Congress also exempted non-profit research organizations from the cap and allowed an additional 20,000 new H-1B visas each year to workers with at least a master's degree from a U.S. college or university. The annual limit on the total number of new cap-subject visas has been 85,000 since FY2005.

Visas were initially awarded on a first-come, first-served basis, which became problematic for employers and prospective foreign workers when visa issuances began reaching the cap well before the end of the fiscal year. U.S. Citizenship and Immigration Services (USCIS, the agency within the U.S. Department of Homeland Security (DHS) that oversees part of the visa process) started holding a lottery to randomly select winners among the petitions that arrived near the time the cap was reached. As demand increased but the number of visas remained constant, USCIS began holding the lottery at the start of the application season, and no additional visas were available until the start of the next year's application season. The exact design of the lottery system has changed several times.[7]

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actions/2026/09/enhancing-program-integrity-and-integrity-and-interagency-coordination-in-the-administration-of-the-h-1b-nonimmigrant-visa-program/ (accessed September 24, 2026).

[7] Changes included which cap an applicant who holds a U.S. graduate degree is first counted against, and then the order in which the lotteries for the 20,000 visas reserved for U.S. graduate degree holders and for the 65,000 unreserved visas are held (Pathak et al. 2025).

An H-1B visa is valid only for the worker, occupation, and employer specified on the application, but H-1B visa holders' ability to change occupation or employers – visa portability – has improved somewhat over time. Under the initial visa category design, H-1B visa holders could switch occupations or employers only after the new petition was approved, which could take months. Changes passed by Congress in 2000 allow a worker who already holds a valid H-1B visa to switch occupations or employers as soon as a new H-1B petition is filed; these changes are not subject to the cap. Another change passed in 2000 is that if the worker already has an application to adjust to permanent resident status pending for at least 180 days, that application can be ported to a similar job at a new employer without restarting the green card process. Changes made in 2015 and 2016 further eased the rules that limited mobility among green card applicants (Wang 2021). Nonetheless, H-1B visa holders face barriers to job mobility that most other workers do not face, including the need for their employer to complete the complicated, costly process for an H-1B visa and, if applicable, an employer-sponsored green card.

Although the H-1B visa has allowed dual intent since its inception, the ability of many H-1B visa holders to adjust to permanent resident status has worsened over time. An H-1B visa holder's employer can sponsor the worker for a green card in an employment-based category, or the visa holder may have a U.S. citizen or permanent resident spouse (or other relative) who can sponsor them in a family-based category.[8] Except for spouses of U.S. citizens, employment- and family-based permanent resident categories have annual caps, which are usually binding. In addition, there is an annual country cap of only 7 percent of permanent resident slots within a category. As a result, H-1B visa holders can face a long wait for permanent resident status,

[8] H-1B visa holders can also, in theory, self-sponsor themselves for employment-based permanent resident status if they have exceptional qualifications (the "EB-1" class).

especially if they are from India or China, which often reach the country cap in employment-based categories. Indeed, as of March 2026, over 480,000 Indians have been approved for an employment-based green card but are waiting in the permanent resident backlog queue due to the category and country caps.[9] For some, that wait may be decades.

In response to the growing backlog, in 2000, Congress began allowing H-1B visa holders to extend their visa beyond the six-year limit if they have a green card application in process or already approved.[10] The number of H-1B visa holders working in the United States is believed to have increased substantially over time as a result of those extensions and the non-profit cap exemption. USCIS last published an estimate of the H-1B worker stock – 583,420 – in September 2019.[11] The number is almost certainly larger now, but it is unclear by how much.

An important early component of the H-1B visa process is ascertaining the prevailing wage, which is the wage floor for most H-1B visa holders. The DOL uses data from the Occupational Employment and Wage Statistics program conducted by its Bureau of Labor Statistics to set prevailing wages for occupations by location for four "wage levels" that correspond to fixed percentiles of the wage distribution and are supposed to reflect education,

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[9] See https://www.uscis.gov/sites/default/files/document/data/eb_i140_i360_i526_performancedata_fy2026_q2_v1.xlsx (accessed August 22, 2026).

[10] Specifically, they can have a one-year extension if a PERM labor certification (a required step in most employment-based green card applications) or an I-140 petition for an employment-based green card was filed at least a year before the six-year limit is reached, or a three-year extension if the I-140 is approved but the H-1B visa holder is stuck in the green card queue. Both extensions are renewable.

[11] See https://www.uscis.gov/sites/default/files/document/reports/USCIS%20H-1B%20Authorized%20to%20Work%20Report.pdf (accessed August 22, 2026). USCIS reports the number of petitions approved for both new issuances (initial employment) and renewals (continuing employment) annually, but estimating the stock from those flows is difficult at best since renewals include workers who are switching to a new job before reaching the end of their visa. The State Department reports another flow measure, the number of H-1B visas issued, which was 219,659 for FY2024 (https://travel.state.gov/content/dam/visas/Statistics/AnnualReports/FY2024AnnualReport/Table%20XVB.pdf, accessed August 22, 2026). DHS also reports the number of nonimmigrants admitted by category (sometimes called Form I-94 data), which is a count of the number of non-unique people who went through a port of entry during a given period and therefore not even a flow measure; immigration opponents sometimes misuse that measure to represent stocks or flows.

experience, and required level of supervision. In 2026, USCIS began conducting the H-1B visa lottery using a selection process that weights petitions based on their wage level. The process gives more weight to petitions with higher wage levels, putting entry-level positions at a disadvantage.

The H-1B process involves fees at multiple stages. The process begins with DOL, which does not charge any fees; then moves to USCIS, which charges the employer several fees; then moves to the State Department, which typically charges the foreign worker a fee. USCIS fees currently include a fee to register each application for the lottery, a petition fee for each application selected in the lottery, a fee that is supposed to fund training of U.S. workers, an anti-fraud fee, and a fee to cross-subsidize the asylum program. An additional fee is imposed on "H-1B dependent" employers, defined as at least one-half of their U.S. workforce hold an H-1B visa. Many employers also opt to pay a fee for premium processing in order to guarantee a 15-day response from USCIS. USCIS fees for a typical H-1B petition total over $3,000 without premium processing, over $6,000 with premium processing, and over $10,000 for an H-1B dependent employer with premium processing.

These fees, while considerable, pale in comparison to the $100,000 fee that the Trump administration imposed in September 2025.[12] Borjas was a senior policy adviser at the Council of Economic Advisers at the time. The $100,000 fee applies to H-1B visa applications that are subject to consular processing, i.e., the foreign worker is not already present in the United States and adjusting to an H-1B visa from another status, such as a student visa, or renewing an existing H-1B visa. Although much of the H-1B process treats non-profit research organizations differently from for-profit businesses, the $100,000 fee does not – all employers pay it if the

[12] See https://www.whitehouse.gov/presidential-actions/2025/09/restriction-on-entry-of-certain-nonimmigrant-workers/ (accessed September 14, 2026).

foreign worker qualifies. The fee is paid by the sponsoring employer, which has limited ability to pass it along to the foreign worker in the form of lower wages given the prevailing wage requirement. The fee has been the subject of several lawsuits and in June 2026, was struck down as an unauthorized tax that was beyond the President's authority.[13] As of September 2026, the administration's appeal of that ruling was pending. In the meantime, the $100,000 fee is on hold, but the President nevertheless extended it for an additional year, through September 2027.[14]

The Trump administration also doubled down on substantial fees, proposing in August 2026 a $103,265 fee that will apply to all H-1B petitions that are subject to the cap.[15] DHS cited Borjas's analysis in its justification for the fee. The proposed $103,265 fee is separate from the $100,000 fee imposed in September 2025 and renewed in September 2026.[16] The Trump administration's apparent determination to impose a large fee on employers that use H-1B visas makes the analysis in the papers by Borjas and Clemens, particularly about the merits of taxing H-1B visas, extremely policy relevant.

3. A better-designed H-1B visa tax

A central concern with the government setting fees is that the optimal level of those fees is rarely clear. This is also the case for wages, prices, and quotas. There is already evidence that the $100,000 fee for H-1B visa applications subject to consular processing (workers coming from abroad) may have been too high. The fee was imposed after the FY2026 visa lottery and

[13] See https://fingfx.thomsonreuters.com/gfx/legaldocs/zjvqmxdklvx/06082026h1b_ruling.pdf (accessed September 26, 2026).
[14] https://www.whitehouse.gov/fact-sheets/2026/09/fact-sheet-president-donald-j-trump-further-enhances-program-integrity-and-interagency-coordination-in-the-h-1b-visa-program/ (accessed September 24, 2026).
[15] Non-profit research organizations will be exempt from the new fee. See https://www.regulations.gov/document/USCIS-2026-0298-0001 (accessed August 28, 2026).
[16] It is unclear whether the proposed $103,165 fee is intended to replace the $100,000 fee, or will be imposed in addition to it if the $100,000 fee is reinstated through a successful appeal.

was struck down after the registration period for the FY2027 visa lottery, so the difference in registrations for the two lotteries gives an initial look at how cap-subject employers responded to the fee. In August 2026, USCIS reported the number of lottery registrations in each year by 30 major employers.[17] Among those 30 firms, the average drop in all registrations – both those subject to consular processing and hence the fee in place at the time and those not subject to it – was 64 percent. The size of the drop was strongly positively related to the employer's share of FY2025 petitions that were subject to consular processing.[18]

The drop was even larger among cap-exempt non-profit research organizations. A USCIS official testified in March 2026 that the number of cap-exempt petitions filed that were subject to consular processing fell by approximately 87 percent compared with the same period a year earlier, representing a decline in other fees of about $28 million.[19] Meanwhile, only 85 cap-exempt petitions had paid the $100,000 fee as of mid-February, generating $8.5 million in revenue. In other words, total revenue fell after the tax was imposed.[20] USCIS later reported that the number of cap-exempt H-1B petitions filed that were subject to consular processing fell by

[17] USCIS reported the data as part of its technical report for the proposed $103,265 fee. See https://www.regulations.gov/document/USCIS-2026-0298-0003 (accessed August 28, 2026).
[18] Across the 30 employers, a 10-percentage point higher share of petitions subject to consular processing in FY2025 is associated with an 8.4 percentage point larger drop in lottery registrations between FY2026 and FY2027. The estimate is significantly different from 0 at the 99% confidence level. Further, those data may underestimate how responsive employers would be to a fee that applies to all H-1B visa holders, not just those subject to consular processing, since some employers may have shifted toward submitting registrations for workers who would not be subject to consular processing, muting the drop in their total number of registrations.
[19] See the affidavit submitted by the acting associate director of USCIS Service Center Operations, available at https://storage.courtlistener.com/recap/gov.uscourts.mad.293201/gov.uscourts.mad.293201.93.11.pdf?_sp=847c2f7d-f8d6-4bea-b119-992fe61810b2.1787234557139 (accessed August 28, 2026).
[20] The Trump administration later claimed in mid-September that over 700 petitions had paid the $100,000 fee, but did not provide any details about the total number of petitions and total fees, making it impossible to assess how total revenues changed (see https://www.whitehouse.gov/presidential-actions/2026/09/restriction-on-entry-of-certain-nonimmigrant-workers-faad/, accessed September 24, 2026).

92 percent after the $100,000 fee was imposed through late May 2026 compared with the average over the same period during the previous three years.[21]

It therefore appears likely that a substantial tax on employers who petition for H-1B visas would lead to a drop in the total number of H-1B workers and possibly even a drop in total revenues associated with H-1B petitions. Even though lottery registrations far outstripped the cap in recent years, it seems plausible that the drop would be large enough that the 85,000 cap is no longer reached.[22] And that is without taking into account the possibility of higher prevailing wage requirements, which the Trump administration has also proposed.[23] Not reaching the cap would reduce the economic benefits from H-1B visas. Those benefits include increases in demand for complementary workers, boosting their employment and wages (Peri et al. 2015; Mahajan et al. 2024; Abramitzky et al. 2026); more innovation (Kerr and Lincoln 2010; Choudhury and Kim 2019; Chen et al. 2021; Dimmock et al. 2022); more capital investment (Mayda et al. 2023; Xu 2025, 2026); and higher productivity (Peri et al. 2015; Abramitzky et al. 2026). We believe the H-1B visa system should aim to increase these benefits, not reduce them. Meanwhile, there is little evidence that H-1B workers adversely affect employment and earnings of other workers within firms (Kerr et al. 2015; Mahajan et al. 2024; Bourveau et al. 2025).[24]

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[21] See https://www.regulations.gov/document/USCIS-2026-0298-0003 (accessed August 28, 2026).

[22] The number of unique registrations averaged about 312,000 for the FY2021-FY2026 cap seasons (https://www.uscis.gov/working-in-the-united-states/temporary-workers/h-1b-specialty-occupations/h-1b-electronic-registration-process, accessed August 28, 2026). USCIS selected about 120,000 registrations to fill the 85,000 slots for the FY2026 cap season. A back-of-the-envelope calculation suggests that the cap would not be reached if registrations fall by more than 62 percent from their recent average (assuming that the conversion rate from a lottery win to a visa remains about 71 percent).

[23] In a proposed regulation separate from the fees, the Trump administration announced plans to significantly increase prevailing wages (see https://www.federalregister.gov/documents/2026/03/27/2026-06017/improving-wage-protections-for-the-temporary-and-permanent-employment-of-certain-foreign-nationals, accessed August 28, 2026). It is unclear whether the administration has considered the possibility that increasing the wage floor would reduce or eliminate the purported wage gap that underlies the $100,000 fee imposed in 2025 and the $103,265 fee proposed in 2026.

[24] Doran et al. (2022) is a notable exception; they report that an additional H-1B visa lottery win crowds out about 1.5 other workers within a firm, at least some of whom appear to be other immigrants. Mahajan et al. (2024), in contrast, find evidence of wage gains and no displacement overall among U.S.-born college-educated workers at

We argue that a better way to tax and allocate H-1B visas than setting an arbitrary fee that could lead to fewer visas and less revenue is via an auction. As we detail elsewhere, we envision that employers bid for a permit that allows them to hire a foreign worker, and those workers then receive an H-1B visa (Orrenius and Zavodny 2010). The permits can be resold, much like Treasury securities. H-1B visa holders can work only for an employer that holds a permit, but they can move freely across employers that hold a permit. Non-profit research organizations can receive permits without participating in the auctions or can be exempt from the permit requirement, much like they are exempt from the proposed $103,265 fee. The government can run a second-price auction to help reduce concerns about the winner's curse. There is certainly ample precedent for government-run auctions, including not only Treasury securities but also the wireless spectrum, timber, offshore oil and gas leases, and greenhouse gas emissions.

The main advantage of auctioning permits to employers is that it enables market forces to allocate visas to their highest-valued use, as demonstrated by employers' willingness to pay. As we, and others, have argued, an auction is the best way to achieve the twin goals of increasing visa revenues and boosting H-1B visa holders' contributions to the U.S. economy (e.g., Chiswick 1982; Becker 1987; Simon 1989; Orrenius and Zavodny 2010, 2020; Peri 2012; Casella and Cox 2018). An auction also side-steps the question of what the fee should be since market forces determine it. The government could stop setting a prevailing wage, further reducing its information requirements, although it might want to keep it to help ensure that the tax incidence falls on employers, not workers. That said, the government still faces the question of the optimal number of visas. We envision that changes in auction prices and resale prices would serve as

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firms that won in the H-1B visa lottery; however, their results do suggest wage losses of about 5 percent and some displacement among young college-educated U.S. natives, who are arguably the most substitutable for H-1B visa holders.

useful signals of whether to increase or decrease the number of new permits up for auction. Alternatively, the number of permits could move up and down automatically with the business cycle.

Auctions are also a better way to allocate H-1B visas than the weighted lottery that replaced the random lottery in 2026. The goal of moving to a weighted lottery was, in essence, to shift the skill and wage distribution of H-1B visa holders to the right.[25] However, it is not clear that applications with higher wage levels – which typically just means the foreign workers are more senior in their career within a given occupation – necessarily add the most value to the U.S. economy or even the most to tax revenues. The switch to a weighted lottery was expected to benefit outsourcing firms, for example, who typically bring in mid-career workers (Peak and He 2026). Meanwhile, the switch was expected to disadvantage international students who recently graduated from U.S. colleges and universities, threatening long-term damage to the U.S. economy (Clemens et al. 2026; Sparber 2026). And because wage levels are set based on occupation and location, the new weighted lottery does not necessarily prioritize petitions with the highest salaries (Peak and He 2026; Sparber 2026).

Besides auctions, there are several other changes that would boost the economic and fiscal impacts associated with H-1B visas. First, increasing visa portability is important for economic efficiency and for reducing employers' monopsony power over H-1B visa holders.[26] Second, ensuring that H-1B visa holders are not stuck in a lengthy queue for an employment-based permanent resident visa would also boost economic efficiency and reduce employers' monopsony power. Third, if there are valid concerns about H-1B visa holders taking jobs from

[25] See https://www.federalregister.gov/documents/2025/12/29/2025-23853/weighted-selection-process-for-registrants-and-petitioners-seeking-to-file-cap-subject-h-1b (accessed September 15, 2026).
[26] For more on monopsony power among H-1B employers, see Gibbons et al. (2019), Kim and Pei (2022), and Sharma and Sparber (2024).

U.S. workers, it would make sense to shift the timing of labor market testing from when an employer sponsors a worker for a permanent resident visa to when an employer sponsors a worker for an H-1B visa. And lastly, increasing the cap on H-1B visas is long overdue – the current cap of 85,000 was set back in 2004, when the U.S. economy and labor force were significantly smaller than they are today.

One change that may not be necessary is raising prevailing wages. Clemens (2026a) argues that raising the wage floor is preferable to imposing a substantial tax on H-1B visas. If the wage floor is set at the competitive, market-clearing wage, welfare losses due to monopsony power are eliminated and, according to the standard monopsony model, employment and wages both increase. Although that sounds good in theory, we question how the government is supposed to determine that wage accurately, or at least more accurately than it does via the current prevailing wage system.[27]

4. Should H-1B visas be taxed at all?

Although we believe that an auction-derived tax on H-1B employers is the best way to impose a tax in this context, policymakers should consider the potential downsides to imposing *any* tax on hiring skilled foreign workers. Imposing a substantial tax on H-1B visas risks reducing the economic benefits noted above – higher employment and earnings among complementary workers, more innovation and capital investment, and higher productivity – especially if it reduces the number of more highly educated immigrants able to work in the

[27] Somewhat relatedly, the federal government should make available more and better data regarding H-1B visa petitions and visa holders. Additional evidence is needed on how the earnings of H-1B visa holders evolve over time and as they move across employers or into a permanent resident visa. But the trend under DHS appears to be in the opposite direction – since early 2025, DHS has slowed or stopped publishing some of the reports and data it used to release (Miroff 2026). The papers by Borjas and Clemens are possible because Bloomberg News submitted a Freedom of Information Act (FOIA) request and then admirably opted to make the data they received publicly available.

United States. There are several other potential downsides from taxing H-1B visas, including reducing other tax revenues and slowing economic growth.

4.1 A large tax might reduce other tax revenues

A more important question than how imposing a large tax on H-1B petitions will affect H-1B visa revenues is what will happen to total tax revenues. Income and payroll taxes are by far the largest source of revenue for the federal government. A drop in the number of H-1B visa holders implies lower income and payroll tax revenues unless employers hire an equivalent number of additional U.S. workers – and pay them similar salaries – or the average salary paid to H-1B visa holders increases enough to offset the revenue effects of the drop in the number of H-1B visa holders.

Most of the literature on the impacts of the H-1B visa on similar U.S. workers suggests that employers are unlikely to replace H-1B visa holders with U.S. workers one-for-one – the number of similar U.S. workers displaced by H-1B visa holders is small, and there are positive spillover effects onto complementary U.S. workers (e.g., Mahajan et al. 2024). As a result, the total number of workers is likely to fall if the number of H-1B visa holders falls, and to fall by more than the drop in the number of H-1B visa holders. Income and payroll tax revenues would then decrease.[28]

A drop in the number of H-1B visa holders has tax implications through other channels besides income and payroll taxes. As noted above, the literature on H-1B visa holders concludes they increase employers' capital investments (Mayda et al. 2023; Xu 2025, 2026). A drop in the

[28] Although the skill and income distributions of H-1B holders are likely to shift to the right as a result of a substantial tax on the visas, it is unclear that the income distribution of remaining H-1B visa holders would shift to the right enough to make up for a drop in the number of H-1B visa holders when it comes to income and payroll taxes. Regardless, the negative fiscal impact from having fewer complementary workers seems likely to dominate.

number of H-1B visa holders therefore would lead to a drop in capital investment, which would reduce tax revenues associated with returns on that investment. In addition, as Clemens (2021) points out, immigrants pay property and sales taxes, as well as taxes on any financial income they receive; those tax revenues would fall if the number of H-1B visa holders falls, although state and local governments, not the federal government, would bear most of the impact of a drop in property and sales taxes. The fiscal impact of having fewer highly educated foreign-born workers in the United States would be sizable. The 2017 National Academies panel estimated that the net present value of the fiscal impact over 75 years of the average recent working-age immigrant with a bachelor's degree and their descendants was between $264,000 and $736,000 (in 2026 dollars), depending on the assumptions made about public goods and the budget; for recent immigrants with a graduate degree, the estimates were between $764,000 and $1.5 million (Blau and Mackie 2017). Those estimates are conservative for H-1B visa holders, whose earnings and employment rates are above the group average.

4.2 Impacts on economic growth are more important

The dynamic effects of H-1B visa holders are more important than their direct fiscal impact. Regardless of whether the United States moves forward with a $100,000 or $103,265 fee on H-1B visas or auctions them off, it is important to recognize that visa-related revenues are a drop in the bucket when it comes to the U.S. fiscal picture. With the federal debt reaching over 120 percent of GDP in early 2026 and interest payments on that debt equivalent to more than 20 percent of federal revenues, the United States needs to focus on boosting economic growth.[29]

[29] Putting the national debt on a sustainable path will also require cutting spending and raising taxes. Data source is https://fred.stlouisfed.org/series/GFDEGDQ188S and https://fred.stlouisfed.org/graph/?g=neY (accessed August 23, 2026).

The literature on H-1B visa holders convincingly shows that they boost innovation, efficiency, and productivity (Kerr and Lincoln 2010; Peri et al. 2015; Choudhury and Kim 2019; Chen et al. 2021; Dimmock et al. 2022; Abramitzky et al. 2026). They are arguably particularly vital to the high-tech firms and research universities that are critical to the country's productivity and economic growth.[30] Ben-Gad (2008) concludes that receiving an additional 60,000 college-graduate immigrants annually for a decade would raise U.S. GDP per capita by 0.15 percent at the end of that decade. After that, the positive impact on GDP per capita continues to grow as the capital stock is better able to adjust to the increase in the skilled workforce. Endogenous growth models predict even larger impacts of increasing the skilled workforce, mainly because skilled workers boost the pace of technological change and may therefore also raise productivity growth (Blau and Mackie 2017).

5. Conclusion

The United States is in an enviable position: far more highly educated people want to work there than there are worker visas available. Given this excess demand – and the federal government's mounting debt – it makes sense to use the visa system both to raise fiscal revenue and to shape the composition of immigrant flows toward those most likely to contribute to fiscal revenue and economic growth in the future. That said, an arbitrary and outsized tax on H-1B visas risks losing sight of both goals. Early evidence suggests the $100,000 H-1B visa fee, while it was in effect, reduced petitions by over one-half and reduced rather than raised visa revenues.

[30] The impact of H-1B visa holders who are employed at non-profit research institutions, most of them research universities, is an understudied area, in part because those institutions are cap-exempt and much of the recent literature relies on the H-1B visa lotteries to identify effects. If a tax applies only to cap-subject employers, some foreign nationals might instead accept jobs at cap-exempt employers (Amuedo-Dorantes and Furtado 2019). However, the Trump administration's massive cuts to federal research funding make it unlikely that cap-exempt employers would increase their hiring of H-1B visa holders much, if at all.

Among non-profit institutions, it lowered petitions by over 80 percent, which suggests a tax this magnitude has the potential to cut off the supply of skilled scientists and researchers to U.S. universities, hospitals, and other critical institutions.

Our proposal of auction-based visa fees avoids this problem. Auctions tap into market signals of labor demand and avoid the problem of the government trying to set prices. The value of an H-1B worker to a firm at a point in time is not knowable, as this symposium's debate between Borjas and Clemens clearly demonstrates. Moreover, dictating an unknowable number and getting it wrong could have serious negative economic and fiscal consequences.

The literature is clear on the many economic and fiscal benefits of high-skilled immigrants. A reduction in the number of H-1B visa holders because of an excessive tax is likely to slow innovation, reduce productivity, and ultimately slow economic growth. Even worse, jobs may go elsewhere. Research shows that firms shift at least some of their hiring offshore when they are unable to hire as many H-1B visa holders as desired.[31]

The debate over visa fees does not mean the federal government should not consider making other changes to the H-1B visa category. Potential changes to the H-1B visa category include increasing portability, particularly among those stuck in the green card backlog, and, in the face of high demand, increasing the cap.

[31] Glennon (2023) concludes that, for every H-1B visa rejection, multinational firms hire 0.4 employees abroad, on average, increasing to 0.9 for the most globalized firms. Consistent with this, Brinatti and Guo (2024) report that some potential immigrants shifted to Canada after the U.S. tightened H-1B admissions in 2017; for every four foregone H-1B visas, Canada received one additional immigration application.

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