No. 26-1329

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

COMMUNITY ECONOMIC DEVELOPMENT CENTER OF SOUTHEASTERN MASSACHUSETTS; NATIONAL PARENTS UNION; NATIONAL KOREAN AMERICAN SERVICE & EDUCATION CONSORTIUM; UNDOCUBLACK NETWORK INC.,

Plaintiffs-Appellees,

vs.

SCOTT BESSENT, Acting Commissioner of the Internal Revenue Service and Secretary of the Treasury; SOCIAL SECURITY ADMINISTRATION; U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT; MARKWAYNE MULLIN, Secretary of Homeland Security; INTERNAL REVENUE SERVICE; TODD M. LYONS, Acting Director of U.S. Immigration and Customs Enforcement; FRANK J. BISIGNANO, Commissioner of the Social Security Administration; U.S. DEPARTMENT OF HOMELAND SECURITY; U.S. DEPARTMENT OF THE TREASURY,

Defendants-Appellants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

BRIEF OF AMICUS CURIAE STATE OF MINNESOTA, COMMONWEALTH OF MASSACHUSETTS, THE DISTRICT OF COLUMBIA, AND THE STATES OF ARIZONA, CALIFORNIA, COLORADO, DELAWARE, HAWAI‘I, ILLINOIS, MARYLAND, MAINE, MICHIGAN, NEW JERSEY, NEW MEXICO, NEW YORK, OREGON, RHODE ISLAND AND VIRGINIA IN SUPPORT OF PLAINTIFFS-APPELLEES

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INTRODUCTION AND INTERESTS OF AMICI CURIAE

The State of Minnesota, the Commonwealth of Massachusetts, the District of Columbia, and the States of Arizona, California, Colorado, Delaware, Hawai‘i, Illinois, Maine, Maryland, Michigan, New Jersey, New Mexico, New York, Oregon, Rhode Island, and Virginia ("Amici States") urge the Court to affirm the District Court's preliminary injunction.[1] The Trump Administration's immigration enforcement campaign has already inflicted incalculable human and economic harms on the Amici States. Those efforts have played out most visibly in images of masked agents swarming city streets, raiding high schools, and arresting children. But they have also involved the Administration's quiet accumulation and misuse of massive data troves. "[T]he Trump administration has ushered in a sea change in data consolidation, undermining privacy protections in its reported attempt to build a centralized database of government data."[2] As commentators have warned, "[c]onsolidating this intimate information expands the government's ability to deport, arrest, or incarcerate people or target them for retribution."[3]

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[1] Amici States file this brief as of right pursuant to Fed. R. App. P. 29(a)(2).

[2] Emile Ayoub, *The Dangers of the Trump Administration's Data Consolidation Efforts*, Brennan Ctr. for Just. (July 9, 2026), https://www.brennancenter.org/our-work/research-reports/dangers-trump-administrations-data-consolidation-efforts.

[3] *Id.*; *see also* Nicole Alvarez, *The Trump Administration Is Using Americans' Sensitive Data To Build a Digital Watchtower*, Ctr. for Am. Progress (Aug. 25, 2025), https://www.americanprogress.org/article/the-trump-administration-is-
(Footnote Continued on Next Page.)

The Administration's approach to immigration enforcement has been disastrous for the residents of Amici States—ripping apart families, devastating local economies, traumatizing children, and leading to the killing of three residents of the Amici States at the hands of federal officers. Hundreds, if not thousands, of individuals have been detained, at times with unclear legal justification. The federal government has also sought to collect and misuse data and personally identifiable information for immigration enforcement purposes, including through benefit programs partially administrated by states, such as Medicaid and the Supplemental Nutrition Assistance Program. The Administration has repeatedly sought to misappropriate that data to further its deportation campaign or to use the data for purposes unrelated to why it was originally collected— such as to provide critical and life-saving benefits to Amici States' residents.[4]

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using-americans-sensitive-data-to-build-a-digital-watchtower/; Stephanie K. Pell, et al., *Privacy Under Siege: DOGE's One Big, Beautiful Database*, Brookings Inst. (June 25, 2025), https://www.brookings.edu/articles/privacy-under-siege-doges-one-big-beautiful-database/; Lauren Harper, *Trump Wants to Put You in a Massive, Secret Government Database*, Intercept (Mar. 17, 2026), https://theintercept.com/2026/03/17/government-surveillance-centralized-database-privacy/; Jude Joffe-Block, *The Trump Administration is Making an Unprecedented Reach for Data Held by States*, NPR (June 24, 2025), https://www.npr.org/2025/06/24/nx-s1-5423604/trump-doge-data-states.

4 *See, e.g.*, *California v. U.S. Dep't of Health & Human Servs.*, Case No. 3:25-cv-05536-VC (N.D. Cal.) (challenging interagency sharing and use of Medicaid data for immigration enforcement); *California v. U.S. Dep't of Agric.*, Case No. 3:25-cv-06310-MMC-KAW (N.D. Cal.) (challenging collection of SNAP data for unauthorized purposes, including immigration enforcement); *New York v. Trump*,
(Footnote Continued on Next Page.)

Here, the Plaintiffs-Appellees challenge the Trump Administration's unlawful attempt to take highly sensitive, private information that taxpayers submitted to the IRS solely for tax purposes and share it with ICE for civil immigration enforcement. Both federal and state governments rely on self-reporting and voluntary compliance with tax laws. Under our tax system, our governments could not function without residents voluntarily providing highly sensitive private information to tax authorities. To gain trust and ensure compliance, federal and state governments have enshrined in law guarantees that taxpayers' data will not be misused. Defendants have violated those laws and betrayed that trust. Plaintiffs-Appellees have readily established that they would be irreparably harmed in the absence of a preliminary injunction, A636–38, and Amici States write to highlight the harms they would suffer from continued sharing of taxpayer data by the IRS with ICE for civil immigration enforcement. As detailed herein, these harms include decreased tax revenues, the inability to reward behavior and provide benefits through the tax code, and the lapse of state worker protections.

ARGUMENT

To obtain a preliminary injunction, Plaintiffs-Appellees were required to show, among other things, a balance of hardships in their favor and that injunctive

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Case No. 25-CV-01144 (JAV) (S.D.N.Y.) (challenging DOGE access to Treasury Department data).

relief serves the public interest. *See Arborjet, Inc. v. Rainbow Treecare Sci. Advancements, Inc.*, 794 F.3d 168, 171 (1st Cir. 2015). Those factors merge where, as here, the government is the party opposing the injunction. *See Does 1–6 v. Mills*, 16 F.4th 20, 37 (1st Cir. 2021) (citing *Nken v. Holder*, 556 U.S. 418, 435 (2009)).

The District Court correctly found "both the balance of the hardships and the public interest tilt heavily" in favor of a preliminary injunction. A639. The Amici States write to highlight additional reasons the injunction serves the public interest: the sharing of taxpayer information with ICE would lead Amici States' residents to lose trust in their state taxation authorities, resulting in myriad harms to the states, employees, and employers.

I. IRS DATA SHARING UNDERMINES TRUST IN AMICI STATES' TAX AUTHORITIES AND CHILLS COMPLIANCE WITH FEDERAL AND STATE TAX FILING REQUIREMENTS.

IRS's unlawful data sharing would not only undermine trust in the IRS but would also undermine the trust in state tax authorities that those state entities have worked hard to build. That loss of trust would foreseeably result in a decline in voluntary compliance with filing tax returns, both at the federal and state levels.

"The effective operation of government in a responsible democratic society depends on the willingness of most of its citizens to report their income for tax revenue purposes." *In re Disciplinary Action Against Chrysler*, 434 N.W.2d 668, 669 (Minn. 1989). Courts have long recognized the importance of voluntary tax compliance and self-reporting. *See, e.g., Hibbs v. Winn*, 542 U.S. 88, 100 n.3 (2004); *Comm'r of Internal Revenue v. Lane-Wells Co.*, 321 U.S. 219, 223 (1944); *Siravo v. United States*, 377 F.2d 469, 472 (1st Cir. 1967).

The District Court here similarly recognized that "the federal tax system is built upon a foundation of the taxpayer's systemic trust and confidence." A639 (citing IRS' Taxpayer Bill of Rights, https://www.irs.gov/taxpayer-bill-of-rights). It further recognized that disclosing confidential taxpayer information in a manner contrary to law, as the Trump Administration has done, "erodes that foundation and undermines the public trust in a functioning tax system." A639 (citing *Nat'l Treasury Emps. Union v. Fed. Lab. Rels. Auth.*, 791 F.2d 183, 184 (D.C. Cir. 1986)). These concerns apply equally to the Amici States' tax authorities.[5]

The District Court found that noncitizen taxpayers have been chilled from filing federal tax returns and determined that the IRS's data sharing undermines trust not only in the IRS but also in the Plaintiff-Appellee organizations. Those

[5] *See* 830 Mass. Code Regs. § 62C.3.1(1)(a) ("Clearly articulated and widely communicated rules, standards and instructions are an important tool in achieving voluntary compliance with Massachusetts tax laws."); Office of the Legislative Auditor, State of Minnesota, *Tax Compliance*, Mar. 2006, https://www.auditor.leg.state.mn.us/ped/pedrep/taxcomp.pdf (Minnesota's tax system depends on voluntary compliance."); New York State Department of Taxation & Finance, *About Us*, https://www.tax.ny.gov/about/ (voluntary compliance is "the cornerstone of the State's system of taxation").

organizations had "previously advised their members to obtain an ITIN[6] and file taxes, regardless of immigration status, because of the IRS' assurance and practice to keep tax information confidential." A637.

This finding is not surprising, as several reports confirm that noncitizens change their activities and behavior based on fear that their data will be shared with DHS.[7] Indeed, in 2006, the Government Accountability Office acknowledged that "IRS officials have expressed concerns that if information on unauthorized workers

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[6] An Individual Taxpayer Identification Number (ITIN) is a number issued by the IRS to persons not eligible for Social Security numbers. *See* 26 U.S.C. § 6109(i); *Individual Taxpayer Identification Number (ITIN)*, IRS (Oct. 28, 2025), https://www.irs.gov/tin/itin/individual-taxpayer-identification-number-itin.

[7] *See, e.g.,* Dristhi Pillai et al., *Potential Implications of the New Medicaid Data Sharing Agreement Between CMS and ICE*, KFF, Jan. 14, 2026, https://www.kff.org/immigrant-health/potential-implications-of-the-new-medicaid-data-sharing-agreement-between-cms-and-ice/ ("About one in seven (14%) immigration adults, including 48% who are likely undocumented and 20% who are parents, say that they or a family member have avoided seeking medical care since January 2025 due to immigration-related concerns."); Dristhi Pillai et al., *KFF/New York Times 2025 Survey of Immigrants: Health and Health Care Experiences During the Second Trump Administration*, KFF (Nov. 18, 2025), https://www.kff.org/immigrant-health/kff-new-york-times-2025-survey-of-immigrants-health-and-health-care-experiences-during-the-second-trump-administration/ (noting increase in immigrant adults who reported skipping or postponing healthcare and providing evidence that "[r]eluctance to access health care may, in part, reflect concerns about health providers sharing information with immigration enforcement officials").

is shared with DHS, some unauthorized workers may move into underground jobs and avoid their tax obligations."[8]

When trust is eroded in the federal tax system, it is eroded in the state tax systems as well. Like the federal government, the Amici States require earners to pay income taxes regardless of citizenship status.[9] To build the trust necessary for voluntary compliance, the Amici States, like the federal government, guarantee taxpayers that their information will remain confidential except as authorized by law in narrow circumstances.[10] For example, the Minnesota Department of Revenue reminds taxpayers that they have the right to "[e]xpect that we will not disclose the information you give us, except as authorized by law."[11]

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[8] U.S. Gov't Accountability Off., *Immigration Enforcement: Benefits and Limitations to Using Earnings Data to Identify Unauthorized Work*, GAO-06-814R (2006), https://www.gao.gov/assets/gao-06-814r.pdf.

[9] *See, e.g.,* Minn. Stat. § 290.03; Mass. Gen. Laws, c. 62C, § 6; NY Tax Law § 605; Tax Policy Center, *Do Immigrants Pay Taxes?*, https://taxpolicycenter.org/briefing-book/do-immigrants-pay-taxes.

[10] *See, e.g.,* Minn. Stat. §§ 270B.02, 270B.14; Mass. Gen. Laws c. 62C, § 21 (prohibiting disclosure of tax return information to anyone other than the taxpayer or their authorized representative with limited exceptions and strict penalties for violations); NY Tax Law § 697(e); Cal. Rev. & Tax. Code § 19542; *see also* 26 U.S.C. § 6103(p)(8)(A) (prohibiting disclosure of federal tax information to state authorities "unless such State adopts provisions of law which protect the confidentiality" of taxpayer information).

[11] *What Are My Rights as a Taxpayer?*, Minn. Dep't of Revenue (Feb. 2015), https://www.revenue.state.mn.us/sites/default/files/2026-03/Taxpayer%20Rights.pdf; *see also Guide to DOR: Taxpayer Bill of Rights*, Mass. Dep't of Revenue (May 12, 2022), https://www.mass.gov/guide/guide-to-dor-taxpayer-bill-of-rights ("any information you as a taxpayer provide to DOR will be handled

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State tax authorities, moreover, intertwine and overlap with the federal taxation system, and taxpayers are not likely to discern a sharp division between the two. For example, many Amici States have laws permitting information sharing between state tax authorities and the IRS. *See, e.g.,* Minn. Stat. § 270B.12; Mass. Gen. Laws c. 62C, §§ 22-23; Or. Rev. Stat. § 314.840(2)(c); NY Tax Law § 697(f). And nearly every state's tax code heavily incorporates federal tax law, requiring filers to import calculations from their federal returns into their state returns.[12]

Because state taxation relies heavily on federal taxation, the chilling effect will likewise frustrate earners' ability to file state tax returns even if they wanted to. Amici States typically require filers to include either their Social Security number (SSN) or ITIN on their state tax returns. In most cases, a noncitizen who does not

with the utmost confidentiality and professionalism"); *see also Franchise Tax Board Privacy Policy Statement*, Cal. Franchise Tax Bd. (Feb. 20, 2026), https://www.ftb.ca.gov/your-rights/privacy/index.html#How-we-protect-your-information ("We make sure your information is…[n]ot disclosed made available, or used for a purpose other than those specified, except with your consent or as required by law or regulation"); *Publication 131, Your Rights & Obligations Under the Tax Law*, N.Y. Dep't of Taxation & Fin. (July 2025), https://www.tax.ny.gov/pdf/publications/general/pub131.pdf ("The Tax Law prohibits us from disclosing information obtained from a tax return or during an audit, to any unauthorized person."); *How We Handle & Protect Your Data*, D.C. Off. of Tax & Rev., https://otr.cfo.dc.gov/page/how-we-handle-and-protect-your-data (last visited July 23, 2026) ("You have the right to confidentiality. Unless authorized by law, we cannot disclose your tax return information to third parties for purposes other than the preparation and filing of your tax return without your consent.").

[12] *See How do state and local individual income taxes work?*, Tax Pol'y Ctr. (Jan. 2024), https://taxpolicycenter.org/briefing-book/how-do-state-and-local-individual-income-taxes-work.

already possess an SSN or ITIN, or whose ITIN has expired, must submit a federal tax return along with an application for an ITIN (known as IRS Form W-7).[13] Both the federal tax return and the ITIN application require filers to submit personal information, including home addresses, to the IRS. Noncitizen filers may be reticent to submit this sensitive, personal information due to its potential use for civil immigration enforcement. Indeed, Plaintiffs and other tax preparers have seen a substantial drop in applications for ITINs.[14] Without an SSN or ITIN, noncitizens cannot file state tax returns.

As discussed *infra*, the lack of trust and resulting chilling effect will lead to widespread harms to Amici States, who depend upon their taxing authorities and their residents' voluntary compliance with those authorities.

II. RS DATA SHARING HARMS AMICI STATES, EMPLOYEES AND EMPLOYERS.

A. Data Sharing Harms Amici States' Tax Revenues.

Amici States earn substantial tax revenues from noncitizens, including individuals without lawful status. According to the Institute on Taxation and Economic

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13 *How to apply for an ITIN*, IRS, https://www.irs.gov/tin/itin/how-to-apply-for-an-itin (last visited July 23, 2026).

14 A188 ¶ 38 (CEDC experienced 74% drop in individuals applying for ITINs); *see also* Marissa J. Lang, *Drop in immigrant tax filings may cost government billions as IRS share data with ICE*, Wash. Post (Apr. 15, 2026) https://www.washingtonpost.com/immigration/2026/04/15/tax-day-immigrant-filers-ice-arrests/; Miriam Jordan & Andrew Duehren, *Immigrants Are Scared to File Taxes. It Could Cost the U.S. Billions.*, N.Y. Times (Apr. 14, 2026) https://www.nytimes.com/2026/04/14/us/undocumented-immigrants-ice-tax-returns-irs.html.

Policy, undocumented immigrants alone contributed approximately $37.3 billion in taxes to state and local governments in 2022, including $19.1 billion to Amici States.[15] IRS data sharing puts this revenue at risk, with the Yale Budget Lab estimating that IRS-ICE data sharing will likely cause federal tax revenue to fall by over $300 billion by 2035.[16]

As discussed above, IRS data sharing may chill taxpayers from filing state tax returns, and those chilled from filing federal returns may be unable to file state returns even if they wanted to. And even if filers do submit state returns, states may still see a decrease in tax revenues. Most states rely on federal returns to calculate state taxes. As of 2023, thirty-one states and the District of Columbia started their state income tax calculations with federal adjusted gross income (AGI), and another five states used federal taxable income as the starting point for state income taxes.[17] "Most of these states simply ask the filer to copy their AGI or federal taxable income from their federal tax form onto their state tax form."[18] Without a federal return,

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15 Carl Davis, Marco Guzman & Emma Sifre, *Tax Payments by Undocumented Immigrants*, Inst. On Tax'n & Econ. Pol'y (Jul. 30, 2024), https://itep.org/undocumented-immigrants-taxes-2024/.

16 *The Potential Impact of IRS-ICE Data Sharing on Tax Compliance*, Budget Lab at Yale (Apr. 8, 2025), https://budgetlab.yale.edu/research/potential-impact-irs-ice-data-sharing-tax-compliance.

17 *How do state individual income taxes conform with federal income taxes?*, Tax Ctr. (Jan. 2024), https://taxpolicycenter.org/briefing-book/how-do-state-individual-income-taxes-conform-federal-income-taxes.

18 *Id.*

however, individuals will likely not have calculated their AGI and will be unable to calculate their state income tax, significantly hindering state taxation.

Further, IRS data sharing will likely drive workers into the underground economy.[19] Underground work is typically paid in cash or otherwise off-payroll with no tax withholdings and no reporting to tax authorities.[20] Immigrants are already overrepresented in low-wage industries—including home health aides, personal care aides, agriculture, and construction—that have a higher incidence of "off payroll" workers.[21] Expanded data sharing will exacerbate this trend, forcing workers to

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[19] The underground economy "refers to individuals and businesses who conceal or misrepresent their employee populations to avoid one or more of their responsibilities related to wages, payroll taxes, insurance, licensing, safety, or other legal or regulatory requirements." *Annual Report 2024*, Council on the Underground Econ. (May 1, 2025) https://www.mass.gov/doc/cue-annual-report-2024/download.

[20] Janet Nguyen, *How Large is the Shadow Economy?*, Marketplace (June 1, 2024), https://www.marketplace.org/story/2024/05/31/how-large-is-the-shadow-economy.

[21] Luc Schuster et al., *An Uncertain Future: How the Immigration Crackdown Threatens Massachusetts' Labor Force*, Bos. Indicators (June 4, 2026), https://www.bostonindicators.org/reports/report-detail-pages/2026/june/immigration-workforce ("[I]mmigrants are over-represented in industries like healthcare and social assistance, comprising 25 percent of jobs. In construction, immigrants account for 30 percent of all workers."); Susan Ferriss & Joe Yerardi, *Wage Theft Hits Immigrants — Hard*, Ctr. for Pub. Integrity (Oct. 14, 2021), https://publicintegrity.org/inequality-poverty-opportunity/workers-rights/cheated-at-work/garment-immigrant-workers-wage-theft/ ("[I]ndustries with higher percentages of foreign-born workers had higher rates of wage theft."); *Immigrants in the U.S. Economy: Overcoming Hurdles, Yet Still Facing Barriers*, Immigration Rsch. Initiative (May 2023), https://immresearch.org/wp-content/uploads/Final-National-Earnings-Ranges.pdf) ("In all, 35 percent of immigrants are in jobs paying under $35,000, compared to 26 percent of U.S.-born workers.").

withdraw entirely from the tax system and driving them deeper into the underground economy.

For these reasons, attempts to evade interactions with the tax system out of fear of immigration enforcement repercussions will have profound effects on state tax revenue.[22] And those tax revenue losses are stacked on top of the economic damage already caused by the federal government's mass deportation campaign, which have led to the loss of workers who provide essential services to communities. For example, the Administration's removal of Temporary Protected Status for Haiti could result in a loss of 10,000 workers in Massachusetts, many of whom fill crucial jobs in long-term care, construction, and transportation.[23] In addition, the City of Minneapolis suffered $700 million in economic damage from DHS's Operation Metro Surge, including $445 million in lost business revenue.[24] Further, studies show that mass deportation is estimated to cost billions in lost state tax revenue.[25]

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[22] *See, e.g.,* Julián Aguilar, *Tax-Sharing Agreement Between ICE, IRS Could Cost Texas Billions in Tax Revenue, Experts Warn*, Hou. Chron. (Aug. 6, 2025), https://www.houstonchronicle.com/news/houston-texas/immigration/article/ice-irs-data-collection-tax-losses-20802936.php.

[23] Katie Johnson, *More Than 10,000 Haitian Workers in Mass. Will Lose Immigration Protections, A Move That Could 'Decimate' Industries*, Bos. Globe (June 29, 2026), https://www.bostonglobe.com/2026/06/29/metro/haitian-tps-ma-workforce/.

[24] *Operation Metro Surge Caused Nearly $700 Million in Economic Damage for Minneapolis*, City of Minneapolis (June 10, 2026), https://www.minneapolismn.gov/news/2026/june/updated-assessment/.

[25] *See*, *e.g.*, *Study: Mass Deportations Would Cost California Economy $275 Billion, Decimate Critical Industries*, Univ. of Cal. Merced (June 17, 2025),
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The immediate economic fallout of the Administration's chaotic and draconian enforcement practices coupled with the push of workers into the underground economy and out of the tax system will result in significant economic harms to Amici States.

B. IRS Data Sharing Undermines Amici States' Ability to Influence Behavior and Ease Economic Burdens with Their Tax Codes.

Amici States' tax codes not only generate revenue, they also incentivize and encourage certain behaviors and alleviate some economic hardship for residents through the use of deductions and credits. But for taxpayers to claim such deductions or credits, they must file tax returns, and when they do not, it undermines states' ability to encourage positive actions and provide economic relief.

For example, Amici States may offer deductions or credits for charitable contributions, organ donations, or clean energy improvements (such as solar panels). *See, e.g.*, Minn. Stat. § 290.0122, subd. 4; Minn. Stat. § 290.0132, subd. 13; Mass. Gen. Laws c. 62, § 6(d), (e), & (i). These incentives encourage taxpayers to make socially beneficial investments and help them cover the cost. But these incentives cannot influence conduct if taxpayers decline to file tax returns.

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https://news.ucmerced.edu/news/2025/study-mass-deportations-would-cost-california-economy-275-billion-decimate-critical (estimating mass deportation will harm California's economy by $275 billion and cause $23 billion in lost tax revenue); David Dyssegaard Kallick et al., *The Economic and Fiscal Impacts of Mass Deportation: What's At Risk In Washington State*, Wash. State Budget & Pol'y Ctr. (Aug. 3, 2025), https://budgetandpolicy.org/resources-tools/2025/04/Whats-at-Risk.pdf (estimating mass deportation could result in loss of $100 million per year in state and local tax revenue in Washington State).

Amici States also provide tax benefits to encourage participation in certain sectors of the economy. For example, Minnesota provides tax credits to teachers who obtain master's degrees program and to first-time farmers and dairy farmers. *See* Minn. Stat. §§ 290.0686, 41B.0391; *see also* Mass. Gen. Laws c. 62, § 6(o); Or. Rev. Stat. §§ 315.117, 315.119. These credits help states achieve workforce participation goals, with far-reaching social and economic impacts.

And many Amici States provide child tax credits, earned income tax credits, or both.[26] These credits provide funds to support needy families and offset the substantial costs of raising children. Ten states offer earned income tax credits to filers with ITINs, and eleven states do the same for child tax credits.[27] These credits, both state and federal, have been instrumental in lifting families out of poverty.[28] When the expanded federal child tax credit expired in 2022, child poverty rates more than

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[26] Joanna LeFebreve et al., *States Should Invest in Their Communities by Enacting and Expanding Child Tax Credits and Earned Income Tax Credits*, Ctr. on Budget & Pol'y Priorities (Aug. 28, 2025), https://www.cbpp.org/research/state-budget-and-tax/states-should-invest-in-their-communities-by-enacting-and-expanding.

[27] Marco Guzman & Emma Sifre*, Improving Refundable Tax Credits by Making Them Immigrant-Inclusive*, 21 Pitt. Tax Rev. 2, 205 (2024), https://itep.org/undocumented-immigrants-child-tax-credit-eitc/.

[28] Aidan Davis & Neva Butkus, *Boosting Incomes, Improving Equity: State Earned Income Tax Credits in 2023*, Inst. on Tax'n & Econ Pol'y (Sept. 12, 2023), https://itep.org/boosting-incomes-improving-equity-state-earned-income-tax-credits-in-2023/.

doubled.[29] Increased childhood poverty rates lead to loss of economic productivity, increased health and crime costs, and increased social welfare costs.[30]

But taxpayers must file returns to claim these deductions and credits, and the societal benefits are lost if taxpayers decline to file returns, hampering the Amici States' ability to influence conduct and provide economic relief with their tax codes.

For this same reason, Defendant-Appellants' actions interfere with Amici States' ability to provide affordable postsecondary educations. Amici States have established programs to support qualifying students who wish to pursue post-secondary education. Minnesota, for instance, offers several forms of assistance to students attending both public and private institutions[31] and offers free tuition at public colleges and universities for qualifying families earning less than $80,000 per year.[32]

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29 Anastasia Koutavas et al., *What Would 2022 Child Poverty Rates Have Looked Like if an Expanded Child Tax Credit Had Still Been in Place?*, 7 Poverty and Soc. Pol'y Brief 3, 1 (Sep. 12, 2023), https://povertycenter.columbia.edu/publication/2023/what-2022-child-poverty-rates-would-have-looked-like.

30 Michael McLaughlin & Mark R Rank, *Estimating the Economic Cost of Childhood Poverty in the United States*, 42 Soc. Work Rsch. 2, 73 (2018), https://academic.oup.com/swr/article-abstract/42/2/73/4956930.

31 *Financial Aid Programs,* Minn. Off. of Higher Educ., https://ohe.mn.gov/financial-aid-programs (last visited Jul. 23, 2026).

32 *North Star Promise*, Minn. Off. of Higher Educ., https://ohe.mn.gov/northstarpromise (last visited Jul. 23, 2026).

Assistance is available to qualifying students regardless of the student's citizenship or immigration status.[33] Minn. Stat. §§ 135A.043, 136A.101, subd. 8(9).

But a parent's failure to file tax returns jeopardizes their child's ability to qualify for these programs. In Minnesota, any student eligible to submit the Free Application for Federal Student Aid (FAFSA) must do so to qualify for state aid.[34] If a FAFSA filer (or the parent of a dependent FAFSA filer) is required to file a tax return but failed to do so, it will preclude the student from receiving state financial aid or qualifying for free tuition.[35] The failure to file tax returns is likely to affect both citizens and noncitizens. For example, in a mixed-status family, a U.S. citizen child

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[33] Many of the Amici States also offer financial aid to qualifying states regardless of the student's or the student's parents' immigration status. *See, e.g., Application for State Financial Aid,* Colo. Dep't of Higher Educ., https://cdhe.colorado.gov/colorado-application-for-state-financial-aid (last visited July 23, 2026); *FAFSA/ORSAA Information*, Or. Student Aid, https://oregonstudentaid.gov/fafsa-orsaa/fafsaorsaa-information/ (last visited July 23, 2026); *Washington Application for State Financial Aid*, Wash. Student Achievement Council, https://wsac.wa.gov/wasfa (last visited July 23, 2026); *CADAA FAQS*, Cal. Stud. Aid Comm'n, https://www.csac.ca.gov/cadaa-faq (last visited July 23, 2026).

[34] Meghan Flores et al., *State Financial Aid Manual Minnesota State Grant, 2025-2026,* Minn. Off. of Higher Educ., 4, https://ohe.mn.gov/sites/default/files/2025-09/2025-2026%20MN%20State%20Grant%20Manual_updated%20092425_ADA.pdf (last visited July 23, 2026).

[35] Failure of a FAFSA applicant or his/her applicable spouse or parent to file an income tax return results in "conflicting information." *See* U.S. Dep't of Educ. *2025-2026 Federal Student Aid Handbook* ch. 4, https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2025-2026/application-and-verification-guide/ch4-verification-updates-and-corrections (last visited July 23, 2026). All "conflicting information" must be resolved before a student can qualify for Minnesota state financial aid. *State Financial Aid Manual Minnesota State Grant, 2025-2026*, *supra* note 34 at 5, 52.

would be required to file the FAFSA, and he or she will be ineligible for aid if their undocumented parents are chilled from filing federal tax returns because of Defendants' actions.

Defendants' data-collection activities therefore harm students by putting higher education out of the reach of a much broader section of the community. But these activities also hurt the Amici States, who benefit from an educated populace. Minnesota law explicitly recognizes that the state's investment in higher education "promote[s] democratic values and enhance[s] Minnesota's qualify of life" and "enhance[s] the economy by assisting the state in being competitive in the world market, and to prepare a highly skilled and adaptable workforce that meets Minnesota's opportunities and needs." Minn. Stat. § 135A.011.[36] Defendants' actions impair the Amici States' ability to achieve these goals.

C. Data Sharing Undermines Amici States' Employee Protections, Makes Workers More Susceptible to Harm and Exploitation, and Gives Unscrupulous Employers an Unfair Competitive Advantage.

Defendants' data-sharing also harms states by undermining state law worker protections, making noncitizens more susceptible to harm and exploitation, and

[36] In addition to Minnesota, other Amici States explicitly recognize the importance of investing in higher education. *See, e.g.*, Haw. Rev. Stat. § 226-21; Md. Edu. Code § 1-301.

thereby threatening the broader economy.[37] As discussed above, the IRS's willingness to provide confidential data to ICE will drive workers into the underground economy. Work in the underground economy is exceptionally risky. Underground work is typically less remunerative, at least in part because the work is often casual, temporary, or part-time, resulting in employees earning lower wages than they would for on-the-books, full-time work.[38]

Relatedly, workers in the underground economy are at risk of wage theft through payment of subminimum wage rates, underpayment, time-shaving, outright nonpayment, nonpayment of overtime, illegal wage deductions, and late payments.[39] Underground work also makes workers more susceptible to workplace abuse. Immigrant workers already occupy a precarious and largely unprotected place in the

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[37] Immigrants have significant spending power, and disruption to their earnings can have significant effects on consumer spending and the overall economy. For example, "estimates show that foreign-born heads of households in Massachusetts had approximately $50.5 billion in spending power in 2024 . . . [and] contributed about $7.4 billion in state and local taxes and more than $23 billion in federal taxes." Schuster et al., *supra* note 21.

[38] *See* Annette Bernhardt et al., *Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities*, Nat'l Emp. L. Proj. (September 1, 2009), https://www.nelp.org/insights-research/broken-laws-unprotected-workers-violations-of-employment-and-labor-laws-in-americas-cities/; Nat'l Emp. L. Proj., *Workers Lose Billions in Unpaid Wages Every Year* (July 2023), https://www.nelp.org/app/uploads/2023/07/Workers-Lose-Billions-Unpaid-Wages-Every-Year.pdf.

[39] Ferriss & Yerardi, *supra* note 21.

U.S. economy, even though they comprise 19% of the workforce.[40] When working in the underground economy, workers often lack a clearly identified "employer," hampering the worker's ability to seek recourse for illegal and unsafe employment practices.[41] The workers are therefore also vulnerable to workplace discrimination and harassment based on race, national origin, gender, and other protected categories. These problems are exacerbated because immigrant workers are already less likely to report violations due to fear of retaliation, job loss, or fear of immigration enforcement.[42]

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[40] *Foreign-Born Workers: Labor Force Characteristics – 2025*, Bureau of Lab. Stat. (May 19, 2026), https://www.bls.gov/news.release/pdf/forbrn.pdf. In many states, that percentage is significantly higher. For instance, in Massachusetts, it is roughly 25%. *See* Schuster et al., *supra* note 21.

[41] Janet Nguyen, *How Large is the Shadow Economy?*, Marketplace (June 1, 2024), https://www.marketplace.org/story/2024/05/31/how-large-is-the-shadow-economy; *see also* Bernhardt, *supra* note 20.

[42] *See*, *e.g.*, Yogev Toby, *Trump's Immigration Crackdown is Leaving Mass. Construction Sites Without Workers*, Bos. Globe July 9, 2026, https://www.bostonglobe.com/2026/07/09/business/immigration-crackdown-construction-industry/ ("The fear generated by immigration enforcement also trickles down to employer-employee relationships and business partnerships. Workers avoid speaking up against exploitation and wage theft, sometimes even if it means forgoing thousands of dollars in pay — and more employers are using deportation threats as leverage against workers who wish to file a complaint."); Sarah Anderson & Reyanna James, *Four Charts on Immigrant Worker Exploitation in America*, Inequality.org (April 3, 2025), https://inequality.org/article/charts-immigrant-worker-exploitation/; Ferriss & Yerardi, *supra* note 21; Lora Jo Foo, *The Vulnerable and Exploitable Immigrant Workforce and the Need for Strengthening Worker Protective Legislation*, 103 Yale L.J. 2179, 2183 (1994).

Similarly, immigrant workers in the underground economy likely will not have access to the states' workplace safeguards, like workers' compensation, unemployment insurance, and mandatory paid leave, among other important protections. For example, even though injured workers in many Amici States are entitled to workers' compensation coverage irrespective of immigration status,[43] employees in the underground economy are more likely to be denied workers' compensation and unemployment insurance because they are not on a formal payroll. These workers will also not have access to the states' mandated paid leave programs for employees.[44] Depriving workers of these state-mandated protections not only harms workers but also law-abiding employers who are undercut by unscrupulous employers who ignore wage and overtime laws, worker safety protections, and other laws.[45]

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43 *See, e.g.*, *Correa v. Waymouth Farms, Inc.*, 664 N.W.2d 324, 329–31 (Minn. 2003); *Medellin v. Cashman KPA*, 17 Mass Workers' Comp. Rep. 592 (2003); *Correa v. Waymouth Farms, Inc.*, 664 N.W.2d 324 (Minn. 2003); *Farmer Bros. Coffee v. Workers' Comp. Appeals Bd.*, 133 Cal. App. 4th 533, 35 Cal. Rptr. 3d 23 (2005); *Asylum Co. v. D.C. Dep't of Emp. Servs.*, 10 A.3d 619 (D.C. 2010).

44 *State Paid Family Leave Laws Across the U.S.*, Bipartisan Pol'y Ctr. (Apr. 10, 2026), https://bipartisanpolicy.org/explainer/state-paid-family-leave-laws-across-the-u-s.

45 *See The Effects of the Underground Economy on Small Businesses and Workers*: *Hearing Before the S. Comm. on Small Bus. & Entrepreneurship*, 110th Cong. 740 (2008).

CONCLUSION

For these reasons, the Amici States respectfully request that this Court affirm the District Court's grant of Plaintiffs-Appellees' Motion for a Preliminary Injunction.

Dated: August 3, 2026 Respectfully submitted,

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/s/ Tasha Bahal
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I certify that I have on this day, August 3, 2026, I electronically filed this brief with the United States Court of Appeals for the First Circuit by using the CM/ECF system. I certify that all counsel for all parties in this case are registered as ECF Filers and that they will be served electronically by the CM/ECF system.

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