THIRD READING

Bill No: AB 1633
Author: Haney (D), et al.
Amended: 6/16/26 in Senate
Vote: 27

SENATE REVENUE AND TAXATION COMMITTEE: 4-0, 6/24/26
AYES: McNerney, Ashby, Becker, Grayson
NO VOTE RECORDED: Alvarado-Gil

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 59-18, 5/27/26 - See last page for vote

SUBJECT: Taxation: private detention facilities

SOURCE: State Superintendent of Public Instruction Tony Thurmond; California Immigrant Policy Center; Services, Immigrant Rights and Education Network.

DIGEST: This bill imposes an annual tax on "private detention facility operators" equal to 50% of the operator's gross receipts derived from the operation of each "private detention facility" in California.

ANALYSIS:

Existing law:

1) Enacts the Corporation Tax Law, which among other provisions, taxes net apportioned business income and allocated net nonbusiness income of corporations doing business in California at a rate of 8.84%, or imposes the $800 minimum tax, whichever is greater.

2) Applies the combined report method for corporate taxation, which requires a corporation computing its California tax liability to include the tax returns of each of its unitary subsidiaries and affiliates in one combined report.

3) Allows taxpaying corporations to elect to exclude the income and expenses of its foreign subsidiaries from its combined report, called the "water's edge" election, with some exceptions.

4) Imposes several excise taxes, including on cigarettes and tobacco products, alcoholic beverages, motor vehicle and diesel fuel, cannabis, and electronic cigarettes, among others, which can contain provisions governing administration of the excise tax, such as requirements to register with the California Department of Tax and Fee Administration (CDTFA), enforcement, collections, penalties, and appeals, among others.

5) Enacts the Fee Collections Procedures Law (FCPL), which is the state's general purpose statute to administer special taxes and fees.

6) Requires the Department of Justice (DOJ) to report on immigration detention facilities operating in California.

7) Prohibits the California Department of Corrections and Rehabilitation (CDCR) from entering into, or renewing contracts with, private for-profit prisons after January 1, 2020, and eliminates their use by January 1, 2028.

This bill:

1) Imposes an annual tax upon all "private detention facility operators" equal to 50% of the operator's gross receipts derived from the operation of each "private detention facility" in California, commencing January 1, 2027.

2) Provides that the tax applies regardless of whether the contracting agency is federal, state, or local.

3) Directs CDTFA to administer and collect the tax imposed by this bill using the FCPL, and authorizes CDTFA to issue regulations to implement this bill, including emergency regulations.

4) Directs CDTFA to deposit revenues from the tax into the Due Process for All Fund, which this bill creates in the State Treasury.

5) Provides that the Legislature can appropriate money from the Fund for immigration-related services.

6) Defines "gross receipts" as "all amounts received by a private detention facility operator pursuant to all contracts relating to the operation of private detention facilities located in California," as well as other terms by reference to the Government Code.

Background

Private prisons. The federal government contracts with private detention facilities throughout the country to house immigration detainees and federal criminal pretrial detainees. On May 15, 2026, Attorney General Rob Bonta released DOJ's fifth report on immigration detention facilities operating in California, where noncitizens are detained by Immigration and Customs Enforcement, pursuant to a requirement enacted by the Legislature.

The report found that conditions in these facilities had largely worsened as the Trump Administration's mass deportation campaign led to overcrowding and strained resources, especially impacting access to medical care and conditions of confinement. Tragically, there were six deaths of detainees between September 2025 and March 2026 — the highest number since the DOJ started conducting reviews in 2017. These deaths, coupled with DOJ's findings of substandard conditions that fail to meet ICE's own detention standards, raise serious concerns about these facilities' ability to safely detain a growing detainee population and underscore the need for greater accountability and oversight.

According to USA Spending, the federal government has paid out $604.9 million in contracts related to the operation of 12 California-based private detention facilities, operated by CoreCivic (five), GEO Group (six), and Management and Training Corporation (one). From 2023 to 2024, outlays rose from $116.0 million to $321.2 million, and in 2025, they increased further to $388.3 million. According to IBISWorld, revenue for California's private detention facilities is projected to reach $600 million in the 2027-28 fiscal year, followed by a 2% decline in subsequent years.

Comment

Precedents. AB 1633 sets at least two important precedents. First, the measure takes one item of income that is included for the purpose of determining net income for California's Corporation Tax – gross receipts derived from the operation of private detention facilities in California – and instead subjects it to a gross receipts tax where taxpayers can neither deduct expenses nor apply credits. As such, AB 1633 would treat one item of business income differently than all others. Additionally, because the measure does not exclude the gross receipts subject to its tax from the Personal Income and Corporation Taxes, the same items of income would be subject to tax twice. Second, proceeds of the state's general taxes – Personal Income, Corporation, and Sales and Use – flow to the General Fund, from which the Legislature appropriates them in the Budget Act. Although similar to other excise taxes, AB 1633 directs its revenues outside the Budget Act to the Due Process for All Fund, only allowing the Legislature to then appropriate those funds for purposes of immigration-related services. The Legislature can appropriate any funds it wishes for those purposes by appropriation or the Budget Act. Lastly, the measure isn't clear whether additional revenues are subject to Proposition 98's K-14 educational guarantee or whether Proposition 2's Budget reserve must be satisfied before the Controller transfers moneys from the General Fund to the Due Process for All Fund.

Implementation. AB 1633 would benefit from additional administrative measures:

- Delaying implementation. While the number of private prison operators in California is not large, CDTFA will have to design returns, publish guidance, and update technology necessary to process returns and payments. Implementing a tax by January 1, 2027, is likely infeasible.

- General Fund Loan. While the measure allows CDTFA to deduct its administrative costs from tax revenues before distributing funds, it will incur initial administrative costs to implement the tax before the measure generates any revenue.

- Reporting period. This bill should state when taxes are due and payable (either quarterly or annually) and be submitted by operators, accompanied by a return using electronic media, by a specific due date. CDTFA should also be able to authenticate returns in a form or pursuant to methods as it prescribes, as well as require the payment of the tax and the filing of returns for other than quarterly or annual periods.

- Definition of gross receipts. It's unclear whether contracts with the federal government to provide services other than immigrant detention constitute gross receipts subject to tax, such as building and construction, or skip-tracing.

Related/Prior legislation.

AB 43 (Thurmond, 2017), AB 2303 (Thurmond, 2018), and AB 2560 (Thurmond, 2018) proposed taxes measured by the value of the contract between a person and the CDCR. None of these measures advanced from the Assembly Revenue & Taxation Committee.

AB 2465 (Ortega) of the current legislative session, would make ineligible for any tax credit under the Personal Income Tax or Corporation Taxes specified business entities that are directly invested in, own, operate, or manage a private detention facility or that contract with a private detention facility or agency engaging in immigration enforcement for the purpose of aiding in or furthering immigration enforcement.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- CDTFA estimates that this bill would result in a revenue gain of $177 million in 2027-28 (Due Process for All Fund). Annual revenue gains thereafter would likely be similar, to the extent such contracts continue in the State.

- CDTFA indicates that it would incur administrative costs of $257,000 in 2026-27, $1.5 million in 2027-28, $131,000 in 2028-29, $115,000 in 2029-30, and $126,000 annually thereafter, to implement the provisions of the bill. Cost drivers would include identifying and notifying taxpayers, creating a new tax return, programming computer systems, revising publications, developing special notices and tax guides, developing regulations, preparing guidelines for staff, and answering numerous questions from operators and the public (Due Process for All Fund).

SUPPORT: (Verified 8/13/16)

State Superintendent of Public Instruction Tony Thurmond (Co-Source)
California Immigrant Policy Center (Co-Source)
Services, Immigrant Rights and Education Network (Co-Source)
805 Undocufund
AAPIs for Civic Empowerment
ACCE Action
Access Reproductive Justice
Alianza Sacramento
Alliance for a Better Community
Alliance San Diego
Asian Americans Advancing Justice Southern California
Asian Law Caucus
Black LGBTQIA+ Migrant Project
Buen Vecino
Building Skills Partnership
California Alliance for Retired Americans

California Coalition for Women Prisoners
California Community Foundation
California Dignity not Detention Coalition
California Federation of Teachers
California Food and Farming Network
California Immigrant Youth Justice Alliance
California Immigration Project
California Latinas for Reproductive Justice
California National Organization for Women
California Native Vote Project
California Partnership to End Domestic Violence
California School Employees Association
California Teachers Association
California Work & Family Coalition
Californians United for a Responsible Budget
Canal Alliance
Central Valley Immigrant Integration Collaborative
Centro Binacional Para El Desarrollo Indígena Oaxaqueño
Chicano Federation of San Diego County
Chinese for Affirmative Action
Chispa
City of Los Angeles
Communities United for Restorative Youth Justice
Community Healers, Inc.
Congregations Organized for Prophetic Engagement
Council on American-Islamic Relations, California
Courage California
Democrats of Rossmoor
Dignity Not Detention Coalition
Drug Policy Alliance
East Bay Sanctuary Covenant
Empowering Marginalized Asian Communities
Ensuring Opportunity Contra Costa
Episcopal Diocese of San Joaquin
Equality California
Felony Murder Elimination Project
Freedom for Immigrants
Friends Committee on Legislation of California
Future Leaders of America
Health in Partnership
Healthy Contra Costa
Immigrant Justice in Action Coalition

Immigrant Legal Resource Center
Immigrants Rising
Imperial Valley Equity & Justice Coalition
Indivisible Alta-Pasadena
Indivisible California: StateStrong
Indivisible East Bay
Indivisible Euclid
Indivisible Fair Oaks-Carmichael
Indivisible Mid-Peninsula
Indivisible Palo Alto
Indivisible San Francisco
Indivisible Santa Cruz County
Inland Coalition for Immigrant Justice
Interfaith Movement for Human Integrity
Jewish Family Community Services East Bay
Justice2Jobs Coalition
Kern Welcoming and Extending Solidarity to Immigrant
LA Defensa
LA Voice
Latino Health Access
Legal Aid At Work
Lift Up Contra Costa
Majdal Arab Community Center of San Diego
Mid-City Community Advocacy Network
Mixteco/Indígena Community Organizing Project
Multi-Faith Action Coalition
New Light Wellness
NextGen California
NorCal Resist
Oasis Legal Services
ORALE: Organizing Rooted in Abolition Liberation and Empowerment
Orange County Equality Coalition
Orange County Rapid Response Network
Oxnard Union High School District
Pacifica Social Justice
Pangea Legal Services
Parent Voices California
PICO California
Pilipino Workers Center of Southern California
Public Counsel
Rad Jews of OC-LBC
Restoring Hope California

Rising Juntos
Riverside Sheriffs' Association
Sacramento Immigration Committee
San Bernardino Community Service Center, Inc.
San Francisco Board of Supervisors
Santa Monica Democratic Club
Social Justice Collaborative
South Asian Network
Southeast Asia Resource Action Center
Street Level Health Project
Thai Community Development Center
The California LGBTQ Health and Human Services Network
The Children's Partnership
The Fund for Santa Barbara
The TransLatin@ Coalition
Tsuru for Solidarity
TWW/Indivisible Los Gatos
Uncommon Law
Unidos 805
United Nations Association – UC Santa Barbara
Universidad Popular
Western Center on Law & Poverty
Working Partnerships USA
One Individual

OPPOSITION: (Verified 8/13/26)

San Fernando Valley Alliance

ARGUMENTS IN SUPPORT: According to the author "Corporations such as GEO Group and CoreCivic continue to profit from operating private, for profit detention facilities in California, despite longstanding concerns about unsafe conditions, inadequate medical care, and lack of accountability in civil detention settings. In 2026 alone, at least six individuals have died in ICE custody nationwide, underscoring the serious risks associated with this system. California has a duty to protect the health and safety of its residents, and the state has a responsibility to ensure that corporations profiting from private detention are held accountable. AB 1633 seeks to do so by imposing a gross receipts tax on private detention operators and directing the revenue towards immigration services and due process protections."

ARGUMENTS IN OPPOSITION: According to the San Fernando Valley Alliance, "this is an obvious punitive tax on contractors that are fulling federal enforcement of congressional approved legislation, congressional funded and signed off by the President of the United States currently, and Presidents prior. The congressional members that approved of the legislation and funding where majority elected representatives of their districts, as was the presidents elected by the people. It is also a punitive tax against those fulfilling the will of the majority of people of the United States who voted for this administration to aggressively enforce immigration codes of the United States. If this legislation passes, is signed in to tax code and withstands court challenges, it may results in these facilities leaving California. While I don't think the majority of the legislature will care about the increased tax revenue and local economic activity that will be lost from the closures, it might want to think about family members, loved ones, and legal representatives of those being detained and going through their due process hearings. Forcing detention centers out of state will make the detention center farther from love ones to either visit and or check in on the person being detained. It will also make it harder and more expensive for California lawyers representatives to do in person representation, possibly forcing those lawyers to do remote representation."

ASSEMBLY FLOOR: 59-18, 5/27/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Castillo, Chen, DeMaio, Dixon, Ellis, Flora, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Johnson, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis
NO VOTE RECORDED: Davies, Patel, Celeste Rodriguez

Prepared by: Colin Grinnell / REV. & TAX. / (916) 651-4117
8/14/26 12:12:54

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