

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1675 (Lee) – As Amended April 29, 2026

Policy Committee: Revenue and Taxation

Vote: 5 - 2

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill enacts the No Tax Breaks for ICE Contractors Act of 2026.

Specifically, this bill:

- 1) Denies, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, all tax credits otherwise available under the Corporation Tax (CT) Law to a taxpayer that contracts with the U.S. Department of Homeland Security (DHS).
- 2) Defines DHS to also refer to the following agencies that are an operational or support component of the department: (a) U.S. Customs and Border Protection, (b) U.S. Immigration and Customs Enforcement (ICE), and (c) Management Directorate, and defines “contracting corporation” to mean a taxpayer that contracts with DHS, either directly or through subcontracts, to provide goods or services.
- 3) Establishes the California Immigrant Resilience Fund (Fund) in the State Treasury.
- 4) Requires the Franchise Tax Board (FTB), in consultation with the Department of Finance (DOF), to annually estimate the amount of additional revenue resulting from the denial of tax credits, notify the State Controller (SCO) of the amount, and require the SCO to transfer the amount to the Fund, with money in the Fund available, upon appropriation, for grants, contracts, and state operations with certain organizations to provide immigration-related services, including removal defense.

FISCAL EFFECT:

- 1) Potential CT revenue gain of an unknown amount, potentially in the tens of millions of dollars or more, approximately equal to the amount of tax credits claimed by a taxpayer that would become ineligible for credits under this bill (General Fund (GF)). The FTB notes that to determine the magnitude of the potential revenue impact, the number of taxpayers no longer eligible to claim a CT credit and the value of such credits must be known, which are difficult to predict. Additionally, certain application-based tax credit programs may subsequently allocate a credit that would have gone to a disallowed taxpayer to a non-disallowed taxpayer, offsetting the amount of revenue gain.

By increasing CT revenue, this bill also likely increases Proposition 98 GF spending by approximately 40% of the revenue gain (the exact amount depends on the operative test of

the annual Proposition 98 guarantee), despite requiring revenues be subsequently transferred to the Fund.

- 2) Costs of an unknown, but potentially significant amount, in excess of \$150,000, to the FTB to administer the credit disallowance and estimate the revenue impact with DOF (General Fund).
- 3) Likely absorbable costs to DOF to estimate the revenue impact with the FTB and to the SCO to transfer revenues to the Fund.
- 4) Potential GF cost pressures to provide grants and contracts to certain organizations to fund immigration-related services, to the extent sufficient revenues are not deposited into the Fund to support such services.

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year beginning in the 2027-28 fiscal year.

COMMENTS:

- 1) **Purpose.** According to the author:

More kidnappings mean more profits for ICE contractors. By doing business with armed and masked thugs acting with impunity, corporations are raking in multi-million deals and tearing families apart. ICE must be abolished and its rogue elements prosecuted. The No Tax Breaks for ICE Contractors Act ensures that California does not subsidize corporations that profit off of ICE's terror campaign, and instead directs public investments to our communities.

- 2) **Restricting Federal Actions.** The Legislature has made many attempts to confront the Trump administration's aggressive immigration tactics. While some legislation has withstood legal scrutiny, the state has not always been successful – notably, the Ninth Circuit's en banc decision in *Geo Group, Inc. v. Newsom*, 50 F.4th 745 (2022), which held that AB 32 (Bonta), Chapter 739, Statutes of 2019, prohibiting private detention facilities, likely violated the Supremacy Clause.

This bill does not prohibit private detention facilities from operating in California or other types of businesses from contracting with the federal government, but instead disallows a corporation from claiming CT credits if the corporation contracts with DHS, with resulting revenues used to partially offset the impacts federal actions on California's immigrant communities. However, to the extent this bill is challenged in court, any defense costs would be borne by the Department of Justice. Additionally, as noted in the FTB's analysis of this bill, "This bill would remove the ability to claim tax expenditures for corporations under the [CT] Law that would be available to other business entities under the Personal Income Tax Law... Thus, this bill would provide different treatment based solely on classification" and may result in various corporate entities continuing to benefit from state tax credits despite contracting or subcontracting with DHS.

- 3) **Support and Opposition.** This bill is supported by a labor organization and community groups, with the California Community Foundation arguing this bill "would ensure that

California’s tax policy does not subsidize or incentivize business practices that contribute to harm in our communities.”

This bill is opposed by a coalition of business groups, led by the California Chamber of Commerce, which argues “it will force businesses into the middle of a political dispute between state and federal authorities, and will punish even businesses who are in no way involved in the targeted conduct.”

- 4) **Related Legislation.** AB 1633 (Haney) enacts the Private Detention Facility Tax Law to impose an annual tax on each private detention facility operator equal to 50% of the operator’s gross receipts. AB 1633 is pending hearing by this committee.

AB 2465 (Ortega) enacts the No Taxpayer Dollars for Family Separation Act to prohibit tax credits for a business entity that invests in or contracts with a private detention facility engaging in immigration enforcement on behalf of out-of-state or federal agencies. AB 2465 is pending on this committee’s suspense file.

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