

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2465 (Ortega) – As Amended April 6, 2026

| | | | |
|-------------------|----------------------|-------|-------|
| Policy Committee: | Judiciary | Vote: | 9 - 3 |
| | Revenue and Taxation | | 5 - 2 |

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill, the No Taxpayer Dollars for Family Separation Act, makes a business entity ineligible to receive any state-provided benefit, subsidy, grant, or loan, and ineligible for any tax credit under the Personal Income Tax Law or Corporation Tax Law for taxable years beginning on or after January 1, 2027, in any year in which the entity is directly invested in, owns, manages, or profits from a private detention facility, or contracts with a private detention facility or agency engaging in immigration enforcement for the purpose of aiding in or furthering immigration enforcement.

The bill creates the California Immigrant Resilience Fund and requires the Controller to transfer from the General Fund to the fund an amount equal to the Franchise Tax Board’s annual estimate of tax collected attributable to disallowed credits.

FISCAL EFFECT:

- 1) Unknown revenue increase to the General Fund from disallowed tax credits beginning with the 2027 taxable year, with corresponding transfer to the California Immigrant Resilience Fund beginning in 2029. FTB indicates the number of affected business entities and the amount of disallowed tax credits cannot be predicted, and assumes that for every \$1 million in tax credits that would no longer be claimed by taxpayers who would become ineligible, the estimated revenue gain would be \$1 million. Assembly Revenue and Taxation Committee staff have estimated that revenue increases resulting from disallowed credits exceed that committee’s suspense file threshold.
- 2) Unknown but potentially significant FTB implementation costs (General Fund). FTB indicates costs to implement the bill have yet to be determined. Cost drivers include adding the required taxpayer declaration to forms and systems, developing guidance on how the credit-ineligibility provisions apply to credits carried over from prior years, assigned, or sold, and producing the annual estimate of tax collected attributable to disallowed credits.
- 3) Unknown but potentially significant workload costs to state agencies that administer benefit, subsidy, grant, or loan programs to screen applicants and recipients (General Fund, special funds).

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:

As federal immigration authorities continue to terrorize our communities, violate the rights of Californians, and tear apart families, our state must not allow taxpayer funds to subsidize this unlawful, militarized, and racist federal policy. AB 2465 will bar any business that holds contracts with agencies that conduct immigration enforcement, or which owns or directly invests in private detention facilities, from receiving any tax credits, grants, or other subsidies from the State of California.

2) **Background.** This bill, sponsored by Superintendent of Public Instruction Tony Thurmond, the California Immigrant Policy Center, and PICO California, would establish a new framework barring business entities that invest in, own, manage, or profit from private detention facilities, or that contract with private detention facilities or out-of-state or federal agencies engaging in immigration enforcement, from receiving state-provided benefits, subsidies, grants, loans, and tax credits, and would redirect General Fund amounts equal to the disallowed credits to a new California Immigrant Resilience Fund. The Assembly Judiciary Committee analysis discusses at length the doctrine of intergovernmental immunity under the Supremacy Clause and 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. The Judiciary Committee's analysis observes that this bill is distinguishable from AB 32 in that it does not prohibit private detention facilities. But, as noted by policy committee's analysis, the bill's application to contractors of federal and out-of-state immigration enforcement agencies, but not to contractors performing comparable services for state agencies, raises intergovernmental immunity questions that could result in litigation. To the extent the bill is challenged in court, any defense costs would be borne by the Department of Justice.

FTB has identified two implementation considerations: First, the bill's definition of "agency engaging in immigration enforcement" reaches only out-of-state and federal agencies, meaning a taxpayer contracting with a California state agency that assists with or engages in immigration enforcement would remain eligible for credits. As noted above, it also raises constitutional questions. Second, the term "ineligible for any credit" is not defined and does not address how the bill applies to credits carried over from a prior year, assigned, or sold. The bill requires every state agency administering a benefit, subsidy, grant, or loan program to screen applicants and recipients for ineligibility. The bill does not specify a screening methodology or central data source.

Analysis Prepared by: Shiran Zohar / APPR. / (916) 319-2081