

ASSEMBLY THIRD READING
AB 2465 (Ortega)
As Amended May 18, 2026
2/3 vote

SUMMARY

Enacts the No Taxpayer Dollars for Family Separation Act.

Major Provisions

- 1) Notwithstanding any other law, makes a business ineligible to receive any state-provided grant, or loan, or any tax credit as described in existing law in any year in which a business 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 .
- 2) Requires any state agency that administers a program to provide or that otherwise provides a grant or loan to screen applicants or otherwise eligible recipients of that grant or loan to determine whether they are an eligible entity.
- 3) Requires the Controller, upon receiving an estimate described in subdivision (e) of Section 17137 or 23637 of the Revenue and Taxation Code, to transfer an amount equal to that estimate from the General Fund to the *Due Process for All* Fund.
- 4) Makes moneys available in the fund available, upon appropriation by the Legislature, for purposes of immigration-related services and programs within the state.
- 5) Prohibits an appropriation of moneys from the fund from being used as justification to reduce, eliminate, or fail to increase other appropriations for immigration-related services and programs, and may not be used to supplant existing state funds for immigration-related services and programs.
- 6) Notwithstanding any other law, makes a business entity ineligible for any credit provided under Part 10 of the Revenue and Taxation Code governing personal income tax in any taxable year beginning on or after January 1, 2027 in which a business 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. Exempts credits provided under Section 19002 of the Revenue and Taxation Code.
- 7) Requires the Franchise Tax Board (FTB) to require a taxpayer to declare whether they are an entity ineligible *to claim* credits for that taxable year in a form and manner prescribed by the board.
- 8) Requires the FTB, on or before July 1, 2029, and on or before July 1 annually thereafter, to estimate the amount of tax collected, attributable to business entities being made ineligible for tax credits by this section, for the taxable year that is two years prior and requires the FTB to report that estimate to the Controller. Requires disclosure provisions of this subdivision treated as an exception to Revenue and Taxation Code Section 19542.

COMMENTS

In the first year and four months of his second term, Donald Trump and his administration have carried out a "mass deportation" scheme with seemingly little to no care for whether those being detained were actually eligible for deportation or detention. In January of this year, the world was stunned by an image of a young boy in a blue bunny hat and a Spiderman backpack being detained by immigration officials. The boy, 5-year-old Liam Conejo Ramos, is an asylum-seeker from Ecuador living in Minneapolis, Minnesota. In the midst of increased ICE raids throughout the city of Minneapolis, Liam was detained alongside his father, also an asylum-seeker. At the time of their detention, their asylum case was pending and both had lawful immigration status. (Rebecca Cohen et. al, *ICE detains 4 Minnesota students, including 5-year-old, school district says* (January 22, 2026) NBC News available at: <https://www.nbcnews.com/news/us-news/ice-detains-4-minnesota-students-5-year-old-school-district-says-rcna255366>.) Unfortunately, Liam's story is not unique. Across the country children and adults with lawful status or even citizenship have been detained by ICE and Customs and Border Patrol (CBP) agents with no apparent justification. According to the Deportation Data Project, the Trump administration quadrupled the overall number of arrests than had occurred during the Biden administration. (Graeme Blair and David Hausman, *Immigration Enforcement in the First Nine Months of the Second Trump Administration* (January 27, 2026) Deportation Data Project available at: <https://deportationdata.org/analysis/immigration-enforcement-first-nine-months-trump.html>.)

The threat of detention and deportation has severely impacted immigrant communities' ability to access daily life, regardless of their immigration status. According to one report, attendance at the Salinas City Elementary School District decreased by four percent in 2025 compared to August of the previous year. In a district with fewer than 10,000 students, a seemingly minor drop like that reflects a total of more than 700 students who were losing time in classrooms with teachers and their peers in one school district alone. (Carolyn Jones, *'Afraid to go to school': Immigrant families in the Salinas Valley are gripped by fear*, CalMatters (Feb. 20, 2025) available at: <https://calmatters.org/education/k-12-education/2025/02/deportation/>.)

This bill makes a business entity that is invested in, owns, manages, or profits from a private detention facility or contracts with a private detention facility or agency engaging in immigration enforcement ineligible to receive any state-provided grant or loan, as well as ineligible for any specified tax credit. The bill redirects those funds instead to the newly established Due Process for All Fund within the State Treasury.

According to the Author

In California, we believe in welcoming immigrants and valuing all who come to contribute to our communities. 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. With these savings, the bill will establish the California Immigrant Resilience Fund to support immigrant services and programs.

Arguments in Support

This bill is sponsored by Superintendent of Public Instruction Tony Thurmond, the California Immigrant Policy Center (CIPC), and PICO California. It enjoys broad support from immigrants'

rights advocates, civil rights organizations, labor unions, legal services organizations, and nonprofit organizations. In support of the measure, Superintendent Tony Thurmond submits:

Over the past year, the federal administration has intensified its immigration enforcement policies on our immigrant communities, violating the constitutional and civil rights of Californians. The mass detention and deportation practices are threatening the health and safety of our TK-12 students. The fear of enforcement is creating a chilling effect on attendance, academic performance, and district resources – leading some to describe it as the ICE pandemic. Schools function best when they are safe and predictable environments, and any immigration enforcement in our communities undermines that foundation.

I am deeply disturbed by some of the cruel immigration enforcement practices, including the deportation of a six-year-old Deaf student who has been enrolled in the Department of Education's own California School for the Deaf in Fremont. He was detained and deported without access to critical medical devices that support his ability to hear. He has been deprived of the ability to communicate and understand even what is happening to him.

While California has led the nation in taking steps to limit the use of for-profit incarceration, ensure accountability, and support our immigrant communities, current law does not explicitly prevent California taxpayer dollars from supporting companies that profit from private detention and unlawful immigration enforcement. AB 2465 helps close the disconnect in state policy and sends a clear message that state resources will no longer subsidize business practices that conflict with California's public policy and values or support the dehumanization of immigrants in California.

Arguments in Opposition

It is opposed by a coalition of business advocates led by the California Chamber of Commerce. They submit:

Though the bill purports to target "any entity that "invests in, owns, manages, or profits from a private immigration detention facility," that category of entities is, for purposes of our concerns, subsumed by the broader category – contracting with an "agency engaging in immigration enforcement" – so we will focus on the broad category covered by the bill.

"State-provided benefit" is also undefined, meaning it is unclear what other state programs might be considered a "state-provided benefit" and therefore prohibited under *AB 2465*. For example – would a state contract to provide a basic service be considered a "state-provided benefit"? Certainly, it is state resources being provided to a company.

The list of problematic federal agencies under *AB 2465* is also undefined. Though the term "agency engaging in immigration enforcement" *is* defined in the bill, the definition is circular, so it does not actually clarify the covered agencies who might trigger a violation of the bill. We can only assume that it would include all federal agencies potentially involved in, or assisting in, "immigration enforcement," which we would assume includes, but is not limited to, ICE or Department of Homeland Security (DHS), Customs and Border Patrol (CBP).

[...]

In simplest terms: we read this bill as potentially punishing any company who works with an undefined list of federal agencies by revoking all "state provided benefit[s], subsid[ies], grant[s], loan[s], or any tax credit..." for the taxable year.

[...]

Individual Businesses or Industries Should Not be Placed in the Middle of Federal vs. State Policy Disagreements.

At a philosophical level, we do not believe that businesses should be compelled to participate in disagreements between California policymakers and the federal policies of the present – or any future – administration.

To be clear, were the situation reversed and the federal government were to attempt to cut off any federal benefits to companies who, for example, provided contract services to a targeted group in California – we would be equally opposed, for the reasons outlined below.

First, such political differences are necessarily short-term. Presidential administrations must end, and policies may be changed even within a President's term. The laws passed in response, however, will linger long after a given federal policy ends or is changed. Practically speaking, if *AB 2465* were to pass, but the federal administration's policies on immigration enforcement were to change, this law would nevertheless remain in effect *indefinitely*.

Second, this kind of law invites difficult state-vs-state and state-vs-national conflicts for national companies, which we oppose. Here, California may pass a law aimed at preventing a business from contracting with a federal agency – because California disapproves of the conduct at issue. Conversely, another state may pass a law punishing companies who do not fully support a federal policy – and punishing those who comply with California's law. In other words: businesses end up stuck between competing political priorities for different politicians in different regions when the business is merely trying to continue to operate. We oppose such "rock-and-a-hard-place" choices for businesses operating in California.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 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.

VOTES

ASM JUDICIARY: 9-3-0

YES: Kalra, Bauer-Kahan, Bryan, Connolly, Harabedian, Pacheco, Papan, Stefani, Zbur

NO: Macedo, Dixon, Sanchez

ASM REVENUE AND TAXATION: 5-2-0

YES: Gipson, Carrillo, McKinnor, Quirk-Silva, Michelle Rodriguez

NO: Sanchez, DeMaio

ASM APPROPRIATIONS: 11-4-0

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover, Dixon, Ta, Tangipa

UPDATED

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CONSULTANT: Manuela Boucher / JUD. / (916) 319-2334

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