

Date of Hearing: June 22, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

SB 420 (Padilla) – As Amended June 3, 2026

Majority vote.

SENATE VOTE: 26-9

SUBJECT: Property tax: welfare exemption: detention facilities

SUMMARY: Provides that, for purposes of the state's property tax welfare exemption, "property used exclusively for religious, hospital, scientific, or charitable purposes" shall not include property, or any portion thereof, operated as a "detention facility" by a for-profit entity. Specifically, **this bill:**

- 1) Defines "detention facility" by cross-reference to Penal Code Section 9500.
- 2) Finds and declares that this bill does not constitute a change in, but is declaratory of, existing law.

EXISTING LAW:

- 1) Authorizes the Legislature to exempt from taxation, in whole or in part, property that is used exclusively for religious, hospital, or charitable purposes, and that is owned or held in trust by a nonprofit entity. (California Constitution, Article XIII, Section 4(b).)
- 2) Provides for a welfare exemption under which property used exclusively for an exempt purpose and owned and operated by specified entities, including foundations, limited liability companies, or corporations meeting certain statutory requirements is exempt from taxation. (Revenue and Taxation Code (R&TC) Section 214.)
- 3) Defines a "detention facility" as any facility in which persons are incarcerated or otherwise involuntarily confined for purposes of execution of a punitive sentence imposed by a court or detention pending a trial, hearing, or other judicial or administrative proceeding. (Penal Code Section 9500.)

FISCAL EFFECT: The State Board of Equalization (BOE) has preliminarily determined that this bill would result in an estimated annual revenue gain of approximately \$721,000.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

Protecting the integrity of California's tax system requires ensuring that charitable tax exemptions truly serve the public good. A recent investigation found that the Brawley Community Foundation, a nonprofit in my district, avoided at least \$6 million in property

taxes by claiming the welfare exemption for a property tied to a for-profit ICE detention facility in Imperial County. Although structured as a nonprofit, the foundation's primary activity and revenue are connected to a privately operated detention center that has faced reports of poor conditions, inadequate medical care, and deaths in custody, when these funds could have been directed towards schools, essential services, and community benefit. [SB] 420 closes this loophole by clarifying that properties connected to for-profit immigration detention operations are not eligible for the Welfare Exemption, ensuring taxpayers are not indirectly subsidizing private detention centers.

2) This bill is supported by the Riverside Sheriffs' Association, which notes the following:

The government should not be in the business of subsidizing the taxes owed by private, for-profit prison corporations by permitting them to use their non-profit entities created to avoid paying taxes the rest of [us] must pay. A recent KPBS investigation revealed that a local nonprofit organization that owns an ICE detention facility in Imperial County, avoided paying at least \$6 million in property taxes through California's "Welfare Exemption." This exemption is meant for charitable nonprofits, but in this case provided a taxpayer subsidy to a for-profit corporation engaged in mass deportation.

Although the foundation claims to support community development, create jobs in a high-unemployment region, and reduce strain on government agencies, much of its activity and revenue are connected to the Imperial Regional Detention Facility, which is operated for profit by a private prison contractor. It has been reported that this facility operates with poor conditions, solitary confinement, inadequate medical care, and deaths in custody, including two individuals who died after not receiving proper medical attention. Subsidizing these facilities with charitable tax exemptions at the expense of local schools and local services is a gross abuse of the tax code.

SB 420 closes the loophole in California's Revenue and Taxation Code by preventing organizations connected to immigration detention or deportation efforts from qualifying for charitable property tax exemptions in the future. Specifically, the bill clarifies that a property is not considered exempt when it is used exclusively for charitable, religious, hospital, or scientific purposes and any part of it operates as a detention center run by a for-profit company.

By doing so, SB 420 ensures that organizations tied to private immigration detention centers cannot claim charitable tax status solely because they are organized as nonprofits. Without reform, taxpayers may continue indirectly subsidizing ICE detention facilities through reduced property taxes. The bill protects taxpayers from indirectly subsidizing ICE detention operations and aligns California's tax policies with the state's broader opposition to private detention centers and harmful deportation practices.

3) Committee Staff Comments:

- a) *California's welfare exemption*: As a general rule, all property is taxable unless exempted by the California Constitution or the laws of the United States. The Legislature is constitutionally authorized to exempt from property taxation, in whole or in part, property used exclusively for religious, hospital, or charitable purposes when owned or held in trust by nonprofit corporations or other entities if certain criteria are met. This exemption, commonly referred to as the "welfare exemption", is implemented by R&TC

Section 214. R&TC Section 214, in turn, generally exempts from taxation property that is: (1) owned by nonprofit organizations organized and operated for qualifying purposes, and (2) used exclusively for those purposes.

- b) *The Organizational Clearance Certificate Process*: The BOE and California's 58 county assessors are jointly responsible for administering the welfare exemption. The BOE is responsible for determining whether an organization qualifies for an Organizational Clearance Certificate (OCC), while county assessors are charged with determining whether the use of a qualifying organization's property is eligible for the welfare exemption. Specifically, once the BOE issues an OCC to a qualified organization, the organization must file a *Claim for the Welfare Exemption* (BOE 267) with the county assessor where the property is located. While assessors are prohibited from granting a welfare exemption in the absence of a valid OCC, an assessor may still deny a welfare exemption claim based on non-qualifying use of the property, notwithstanding the BOE's issuance of an OCC.
- c) *The impetus for this bill*: This bill stems from an investigative report published by KPBS on May 13, 2026.¹ The report focused on the Imperial Regional Detention Facility (Facility), which is one of eight immigrant jails that the United States Immigration and Customs Enforcement (ICE) operates in California. Located near Calexico in Imperial County, the Facility is owned by the nonprofit Brawley Community Foundation (Foundation) via its subsidiary, Imperial Valley Gateway Center LLC. According to KPBS, the Foundation has used its nonprofit status to secure at least \$6 million in welfare exemption property tax breaks since 2016. The KPBS report further notes that most of the Foundation's approximately \$40 million in annual revenues comes from "detention center fees" paid by ICE and Management and Training Corporation (MTC), a Utah-based contractor that manages the Facility.

The Foundation has argued that its arrangement with the Facility represents a sign of the nonprofit's resourcefulness in bringing job growth to a rural area of the state with high unemployment. The question posed by the report, however, is whether this represents a genuine community benefit worthy of tax subsidies, especially in light of the Facility's use and operational track record. The KPBS report notes:

In the years since the Imperial Regional Detention Facility began holding immigrants, MTC has been accused of not providing adequate medical care, violating detainees' civil rights and using solitary confinement in retaliation.

Now, amid President Donald Trump's increasingly deadly mass deportation effort, two immigrants have died after experiencing health crises at the facility.

- d) *What would this bill do?* This bill provides that, for purposes of the state's property tax welfare exemption, "property used exclusively for religious, hospital, scientific, or charitable purposes" shall not include property, or any portion thereof, operated as a detention facility by a for-profit entity. Additionally, this bill finds that this provision is declaratory of existing law.

¹ Suzuki, K. (2026, May 13). *California calls this company a charity. It's the landlord for an ICE detention center.* KPBS.

- e) *How did we get here?* When the Facility's legal owner, Imperial Valley Gateway Center, LLC, originally filed its claim seeking an OCC, the BOE issued an Incomplete Finding Sheet noting that Imperial's purpose to acquire, construct, and operate a medium security detention facility, and to finance the costs for the same, did not qualify for the welfare exemption. In response to a request to review this determination, however, BOE staff reversed course. Specifically, by memorandum dated August 12, 2015, BOE staff determined:

[S]ince running a prison is "peculiarly within the province" of government, and Imperial's purpose is to run a prison for detainees under the jurisdiction of local, state, and federal entities, Imperial's activities aid in an undertaking that the government otherwise would be obligated to provide, and thereby lessens a burden of government. For that reason, we believe Imperial's purpose to acquire, construct and operate the Facility constitutes a charitable purpose within the meaning of [R&TC] section 214, subdivision (a).

- f) *Potential clarifying amendments:* BOE staff notes that, in the case of the Foundation, the Facility is technically being "operated" by a nonprofit organization, while a for-profit entity is engaged in the day-to-day management of the Facility. As such, this bill's present language may inadvertently not apply to the Facility. As such, the author and Committee may wish to consider a technical amendment to preclude the welfare exemption in cases where a detention facility is *managed* by a for-profit entity. This could be accomplished as follows:

On page 3, in line 6, insert "and managed" before "by a for-profit entity."

Alternatively, if the author and Committee wish to take a broader approach to prevent utilization of the welfare exemption for any detention facility, language could be drafted along the following lines:

For purposes of Section 214, "property used exclusively for religious, hospital, scientific, or charitable purposes" shall not include property, or any portion thereof, operated as a detention facility.

- g) *Related legislation:*

- i) AB 1633 (Haney) would, beginning January 1, 2027, establish the Private Detention Facility Tax Law, which would impose an annual tax on each private detention facility operator, as defined, equal to 50% of the operator's gross receipts, as defined. AB 1633 (Haney) is currently pending hearing by the Senate Committee on Revenue and Taxation.
- ii) AB 1675 (Lee) would, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, enact the No Tax Breaks for ICE Contractors Act of 2026, which would deny all tax credits otherwise available under the Corporation Tax Law to any taxpayer that contracts with United States Department of Homeland Security, as provided. AB 1675 (Lee) is currently pending hearing by the Senate Committee on Revenue and Taxation.

- iii) AB 2465 (Ortega) would prohibit a business entity that contracts with the federal government for immigration enforcement purposes, as specified, from receiving any state-provided grant, loan, or tax credit, as specified. AB 2465 (Ortega) is currently pending hearing by the Senate Committee on Revenue and Taxation.

REGISTERED SUPPORT / OPPOSITION:**Support**

California Assessors' Association
California Community Foundation
California Immigrant Policy Center
CalNonprofits
Ella Baker Center for Human Rights
Immigrant Defenders Law Center
Immigrant Defense Advocates
Justice2Jobs Coalition
La Defensa
Riverside Sheriffs' Association
Rubicon Programs

Opposition

None on file

Analysis Prepared by: M. David Ruff / REV. & TAX. / (916) 319-2098