Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 420 (Padilla) – As Amended July 1, 2026

Policy Committee: Revenue and Taxation Vote: 5 - 2

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

SUMMARY:

This bill provides that a property operated as a detention facility does not qualify for the property tax welfare exemption.

Specifically, this bill prohibits a property operated as a detention facility from being included as a "property used exclusively for religious, hospital, scientific, or charitable purposes" for purposes of the welfare exemption.

FISCAL EFFECT:

1) Annual property tax revenue gain of approximately $721,000. Although property tax is a local government revenue source, increases in property tax revenues, in turn, offset General Fund Proposition 98 spending (the exact amount depends on the operative test of the annual Proposition 98 guarantee).

2) One-time administrative costs of approximately $31,000 to the State Board of Equalization (BOE) (General Fund).

COMMENTS:

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

> 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.

This bill is supported by the BOE, California Assessors' Association, California Association of Nonprofits, Riverside Sheriffs' Association, and various civil rights groups.

2) **Background.** ***Welfare Exemption.*** Existing law allows a property tax welfare exemption for property used exclusively for charitable, hospital or religious purposes and owned by a non-profit organization operating for those purposes. The BOE and 58 county assessors are jointly responsible for administering the welfare exemption. The BOE determines whether an organization qualifies for an Organizational Clearance Certificate (OCC), while the county assessor determines whether the use of a qualifying organization's property is eligible for the exemption. While an assessor is prohibited from granting an exemption in the absence of a valid OCC, an assessor may still deny an exemption claim based on the non-qualifying use of the property, notwithstanding the BOE's issuance of an OCC.

   Imperial Regional Detention Facility. The Imperial Regional Detention Facility is owned by the nonprofit Brawley Community Foundation via a subsidiary, Imperial Valley Gateway Center LLC (Imperial). When Imperial originally applied for an OCC, the BOE issued an Incomplete Find Sheet, noting that Imperial's purpose to acquire, construct, operate, and finance a medium security detention facility did not qualify for the welfare exemption. However, upon review, the BOE 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 Revenue and Taxation Code section 214, subdivision (a).

   This bill prohibits a property operated as a detention facility from constituting a charitable purpose and finds the prohibition to be declaratory of existing law.

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