SENATE THIRD READING
SB 420 (Padilla, et al.)
As Amended July 1, 2026
Majority vote

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".

Major Provisions

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.

COMMENTS

1) *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 Revenue and Taxation Code (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.

2) *The Organizational Clearance Certificate Process*: The State Board of Equalization (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.

3) *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

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

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.

4) *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. Additionally, this bill finds that this provision is declaratory of existing law.

According to the Author

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.

Arguments in Support

Supporters of this bill note:

> 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 facility.

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.

Arguments in Opposition
None submitted for the most recent version of this bill.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

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 BOE (General Fund).

VOTES

SENATE FLOOR: 26-9-5
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares
ABS, ABST OR NV: Cabaldon, Grayson, Hurtado, Niello, Reyes

ASM REVENUE AND TAXATION: 5-2-0
YES: Gipson, Carrillo, McKinnor, Quirk-Silva, Michelle Rodriguez
NO: Sanchez, DeMaio

ASM APPROPRIATIONS: 11-3-1
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
NO: Dixon, Ta, Tangipa
ABS, ABST OR NV: Hoover

UPDATED

VERSION: June 3, 2026

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