Office of Senate Floor Analyses
(916) 651-4171

UNFINISHED BUSINESS

Bill No: SB 420
Author: Padilla (D), McNerney (D) and Umberg (D), et al.
Amended: 7/1/26
Vote: 21

PRIOR SENATE VOTES NOT RELEVANT

SENATE REVENUE AND TAXATION COMMITTEE: 4-0, 8/27/26
AYES: McNerney, Alvarado-Gil, Becker, Grayson
NO VOTE RECORDED: Ashby

ASSEMBLY FLOOR: 62-10, 8/25/26 - See last page for vote

SUBJECT: Property tax: welfare exemption: detention facilities

SOURCE: Author

DIGEST: Disqualifies property, or any portion thereof, operated as a detention facility from eligibility for the welfare exemption from property tax.

Assembly Amendments remove the contents of the measure approved by the Senate relative to automated decision systems, and insert the current ones relative to property taxation.

ANALYSIS:

1) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII, Section One).

2) Allows the Legislature to exempt property used exclusively for charitable purposes so long as it is owned by non-profit entities organized and operated for charitable purposes, such as universities, hospitals, and libraries (California Constitution, Article XIII, Section Four).

3) Requires that all property taxed by a local government be assessed in the county, city, and district in which it's situated (California Constitution, Article XIII, Section 14).

4) Requires a five-member State Board of Equalization (BOE) comprised of four members elected by district and the State Controller to "measure county assessment levels annually and bring those levels into conformity by adjusting entire secured local assessment rolls" (California Constitution, Article XIII, Sections 17 and 18).

5) Provides that to receive a welfare exemption, both the organization and the use of the property must be approved.

6) Directs BOE to determine whether the organization is organized and operated exclusively for a qualified purpose, and issue it an Organized Clearance Certificate (OCC) if BOE determines that it is. BOE must notify an applicant if it denies an OCC, which the applicant can appeal to the elected BOE.

7) Permits BOE to revoke an OCC if it determines that the organization no longer qualifies for the exemption. BOE can also audit an organization to determine whether it continues to qualify, and reviews assessors' administration of the exemption as part of its Assessment Practices Survey process.

8) Allows property owners to file a claim for the welfare exemption with the assessor if BOE has issued an OCC.

9) Directs assessors to review the claim form and attached documents to ensure that the organization meets the requirements in the Revenue and Taxation Code.

10) States that assessors can deny an exemption claim based on non-qualifying use of the property, even if BOE has issued an OCC. However, the assessor cannot grant a claim without a valid BOE-issued OCC.

This bill:

1) Disqualifies from eligibility for the welfare exemption property, or any portion thereof, operated as a detention facility.

2) Defines "detention facility" by reference to Section 9500 of the Penal Code.

3) Makes a legislative finding and declaration that it does not constitute a change in, but is declaratory of, existing law.

Background

Imperial Regional Detention Facility. On May 13, 2026, KPBS published an extensive article documenting that the Imperial County Assessor had approved welfare exemption claims for the Imperial Regional Detention Facility, currently used as one of the eight immigrant jails in California operated by the United States Immigration and Customs Enforcement (ICE). The Brawley Community Foundation (Foundation), a nonprofit organization, owns the building, while the land beneath it is owned through its subsidiary, Imperial Valley Gateway LLC. The Assessor has granted the exemption to Imperial Valley Gateway LLC since 2016, resulting in an estimated tax savings of around $6 million to date.

Comments

Pointing fingers. BOE issued Gateway LLC an OCC in 2015, which made it eligible to claim the welfare exemption with the Assessor, who granted it for every year since 2016. BOE has statutory authority to revoke Imperial Valley Gateway LLC's OCC if it finds it is no longer qualified, which would result in a revocation of its property tax exemption, an action which the property owners could appeal to the elected BOE. However, state law is clear that BOE only qualifies the organization's nonprofit status when issuing an OCC; should BOE deny or revoke an OCC, the applicant cannot claim an exemption for any property it owns in the state, regardless of its use. State law and BOE guidance direct the assessor to independently determine whether a property's use qualifies for the welfare exemption under state law; the Assessor could also revoke the exemption at any time, which the property owner could appeal to the Assessment Appeals Board or Superior Court. However, the Assessor reported at the BOE's June 22, 2026, hearing that staff was recently granted access to the Detention Center, who found that the facility was "clean and safe and well-maintained," and continued to qualify for the exemption as it was "being used as intended" in its OCC. The Assessor added that Imperial Valley Gateway LLC does pay some property tax because the entire parcel is not used as a detention facility. To the extent that neither BOE nor the Assessor change course, SB 420 would ensure that the welfare exemption would no longer apply to private prisons.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No\

According to the Assembly Appropriations Committee:

- 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).

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

SUPPORT: (Verified 8/27/26)

California Assessors' Association
California Association of Nonprofits
California Community Foundation
California Immigrant Policy Center
California State Board of Equalization
Ella Baker Center for Human Rights
Immigrant Defenders Law Center
Immigrant Defense Advocates
Justice2Jobs Coalition
La Cooperativa Campesina de California
La Defensa
Los Amigos de la Comunidad, Inc.
Organización de Líderes Campesinas en California, Inc.
Riverside Sheriffs' Association
Rubicon Programs
Services, Immigrant Rights and Education Network

OPPOSITION: (Verified 8/27/26)

None received

ARGUMENTS IN SUPPORT: According to the author, "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."

ASSEMBLY FLOOR: 62-10, 8/25/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Davies, DeMaio, Dixon, Ellis, Hadwick, Johnson, Macedo, Patterson, Sanchez, Tangipa
NO VOTE RECORDED: Castillo, Chen, Flora, Hoover, Lackey, McKinnor, Ta

Prepared by: Colin Grinnell / REV. & TAX. / (916) 651-4117
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