

Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

AB 2465 (Ortega) – As Amended April 6, 2026

2/3 vote. Fiscal committee.

SUBJECT: State government: benefits.

SUMMARY: Enacts the No Taxpayer Dollars for Family Separation Act. Specifically, **this bill:**

- 1) Provides, for taxable years beginning on or after January 1, 2027, that a business entity shall be ineligible to receive any tax credit allowed under either the Personal Income Tax (PIT) Law or Corporation Tax (CT) Law if that business 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.
- 2) Provides that the credit under Revenue and Taxation Code (R&TC) Section 19002 (related to tax withholding payments) and the credit allowable for estimated tax payments paid pursuant to Section 19023 (corporate estimated payments) shall be otherwise allowed.
- 3) Defines the following terms under the PIT Law and CT Law:
 - a) "Agency engaging in immigration enforcement" means any out-of-state agency or federal agency that assists with or engages in immigration enforcement;
 - b) "Immigration enforcement" has the same definition as that term is defined in Government Code Section 7284.4.
 - c) "Invests in" means an entity that owns at least 5% of a private detention facility or private detention facility operator;
 - d) "Manages" means an entity that the owner contracts with to control the daily operations of a private detention facility or private detention facility operator;
 - e) "Owns" means an entity that owns at least 5% of a private detention facility or private detention facility operator or that owns or leases the building or land on which a private detention facility operates; and,
 - f) "Private detention facility" and "private detention facility operator" have the same meaning as those terms are defined in Government Code Section 7320.
- 4) Provides that the Franchise Tax Board (FTB) shall require, in a form and manner prescribed by the FTB, a taxpayer to declare whether they are an entity that is ineligible for credits pursuant to this bill for the taxable year.

- 5) 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 bill, for the taxable year that is two years prior and requires the FTB to report that estimate to the State Controller. The disclosure provisions of this requirement are treated as an exception to R&TC Section 19542.
- 6) Requires the State Controller, upon receiving an estimate described above to transfer an amount equal to that estimate from the General Fund to the California Immigrant Resilience Fund, which is created within the State Treasury.
- 7) Makes moneys available in the fund available, upon appropriation by the Legislature, for purposes of immigration-related services and programs within the state.
- 8) 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 provides that such funds may not be used to supplant existing state funds for immigration-related services and programs.
- 9) Provides, notwithstanding any other law, that a business is ineligible to receive any state-provided benefit, subsidy, grant, or loan 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 for the purpose of aiding in or furthering immigration enforcement.
- 10) Requires any state agency that administers a program or that otherwise provides a benefit, subsidy, grant, or loan to screen applicants or otherwise eligible recipients of that benefit, subsidy, grant, or loan, to determine whether they are an eligible entity.
- 11) Exempts any standard, criterion, procedure, determination, rule, notice, guideline, or any other guidance established or issued by the FTB pursuant to this bill from the Administrative Procedures Act.

EXISTING LAW:

- 1) Defines "private detention facility" and "operator" among other terms:
 - a) "Private detention facility" means a detention facility that is operated by a private, nongovernmental, for-profit entity pursuant to a contract or agreement with a governmental entity.
 - b) "Private detention facility operator" means any private person, corporation, or business entity that operates a private detention facility. (Government Code Section 7320.)
- 2) Prohibits any local government agency from entering into or renewing a contract with the federal government or a private corporation to house or detain noncitizens in a detention facility for purposes of civil immigration custody. (Civil Code Section 1670.9.)
- 3) Allows various tax credits under the PIT Law and CT Law. These credits are generally designed to provide tax relief for taxpayers that incur certain expenses (e.g., motion picture production costs) or to influence behavior, including business practices and decisions (e.g.,

research credits or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake. (R&TC Sections 17041 *et seq.* and 23608 *et seq.*)

- 4) Generally allows for a credit generated by any member of a combined group to be assigned and used by another member of a combined group. The election to assign the credit is irrevocable and cannot be modified once an election is made. (R&TC Section 23663.)

FISCAL EFFECT: According to the FTB: "To determine the magnitude of the potential revenue impact of this bill, the number of business entities no longer eligible for tax credits and the amount of tax credits that would no longer be available to those businesses must be known. Because it is difficult to predict the number of affected business entities that would be ineligible for any tax credits and the amount of disallowed tax credits, the revenue impact of this bill is unknown." Committee staff estimate that the revenue increases resulting from disallowed tax credits pursuant to this bill exceed this Committee's Suspense File threshold.

COMMENTS:

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

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.

- 2) This bill is co-sponsored by Superintendent of Public Instruction Tony Thurmond, who notes, in part:

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 have been 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.

- 3) This bill is supported by a large coalition of over 40 immigrant justice, labor union, and civil rights organizations, which notes, in part:

California is home to the largest immigrant population in the United States: 1 in 4 Californians are immigrants, and nearly half of all children in the State live in immigrant families. However, Californians are witnessing continued patterns of aggressive, militarized, and unlawful federal immigration enforcement actions as well a drastic increase in detention, including indiscriminate arrests and mass raids, Constitutional violations at the hands of federal immigration officials, and an increase in mandatory detention. Mass detention and immigration enforcement are threatening the health and safety of all Californians, destabilizing families and communities. Families are being separated, an entire generation of children are being traumatized, many pregnant patients are skipping prenatal medical visits out of fear, workplaces are being disrupted, and school attendance is down in areas with high immigrant populations.

Despite the damaging human toll of these actions, some corporations operating in California are profiting en masse from the suffering of our communities and continue to receive state subsidies and benefits. For example, private detention facility owners and operators reported a 13%, or \$2 billion, increase in profits in 2025 than in prior years due to an increased amount of people detained across the country. Additionally, a report recently released by Good Jobs First found that in 2025, California companies received more than \$3 billion dollars' worth of contracts with Immigration and Customs Enforcement (ICE). The report also notes that most contractors with ICE have extensive records of regulatory violations and legal settlements. Despite these poor business practices, many of those companies continue to receive contracts with the federal government and profit billions off of immigration enforcement and detention.

- 4) This bill is opposed by a coalition of business advocates led by the California Chamber of Commerce. The coalition makes efforts to clarify that they do not assume their position in order to support the actions of the federal government: "To the contrary, we oppose the economic disruption caused by recent federal immigration activities and have long supported the creation of a pathway to citizenship for undocumented workers..."

Further, the coalition notes, in part:

AB 2465 is not limited to companies with any direct contact with immigration detention facilities. Any businesses who have a contract to provide any services or supplies to any element of DHS or ICE, regardless of whether there is a connection to an immigration detention facility (or whether it was signed under a prior administration), will face the teeth of AB 2465.

For context: it is worth noting that DHS contains sixteen (16) operational and support components (essentially sub-agencies that exist under and report to DHS). DHS and its components perform many critical, non-controversial duties – including but not limited to:

- Protecting the United States' cyber infrastructure via the Cybersecurity and Infrastructure Agency.
- Overseeing the US Coast Guard, which patrols US waterways.

In that context, a few examples help illustrate the vagueness of AB 2465:

- A contract to provide information technology (IT) support to DHS would be a contract with DHS – and therefore potentially trigger liability. However, it isn't clear whether such a contract would qualify as "for the purpose of aiding or furthering immigration enforcement." As a result, the company would be guessing whether it had triggered a loss of any California state benefits.
- A contract to repair a US Coast Guard vessel (which is under DHS in peacetime) would be a contract with DHS, and therefore potentially trigger a loss of any California state benefits. However, without knowing the purpose for which the vessel would be used, how could the repairing company determine whether such a contract might be "for the purpose of aiding or furthering immigration enforcement"?

AB 2465's broad terms mean it will not only punish businesses who are not directly immigration detention facilities – but furthermore, its vague terms mean that businesses will be unable to determine whether their contracts are actually a violation of the bill. And by removing the tax credits and subsidies that help counterbalance California's high cost of doing business, AB 2465 will make it even harder for businesses to continue to operate in California.

5) Committee Staff Comments:

- Double-referred*: This bill was referred to the Assembly Committee on Judiciary, which passed the bill on April 14, 2026, by a vote of 9 to 3. Please refer to that Committee's analysis of the bill for a discussion of California's efforts to respond to the Trump administrations' aggressive immigration tactics, including the passage of AB 32 (Bonta) Chapter 739, Statutes of 2019, which an en banc Ninth Circuit panel held likely violated the Supremacy Clause of the United States Constitution. *Geo Group, Inc. v. Newsom*, 50 F.4th 745 (2022).
- Doctrine of intergovernmental immunity*: The Supremacy Clause of the Constitution has been interpreted to impose limits on the extent to which the state and federal governments can encroach on each other's sovereignty. Since 1819, the Supreme Court has held that states cannot directly tax the federal government or its instrumentalities. *McCulloch v. Maryland*, 17 U.S. 316 (1819). The Supreme Court has further interpreted the Supremacy Clause to, in part, prohibit the states from "interfering with or controlling the operations of the Federal Government" but a law that indirectly imposes a cost on the federal government may be constitutional "so long as the law imposes those costs in a neutral, nondiscriminatory way." *United States v. Washington*, 596 U.S. 832, 838-39 (2022). A statute that discriminates against the federal government (or its proxies) functions under the scope of obstacle preemption, which holds a state statute preempted

by federal law and therefore invalid if it "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." *United States v. California*, 921 F.3d 865, 879 (2019) (internal citations omitted).

- c) *Implementation considerations*: The FTB has identified a number of considerations, including, but not limited to:
- i) *Out-of-state agencies*: As currently drafted, this bill would define an agency engaging in immigration enforcement to mean any out-of-state agency or federal agency that assists with or engages in immigration enforcement. As a result, if a taxpayer contracts with any California state agency that assists with or engages in immigration enforcement, that taxpayer would still be allowed to claim tax credits provided under the PIT Law and CT Law. If this is contrary to the author's intent, the bill should be amended.
 - ii) *Administrative details*: As currently drafted, the term "ineligible for any credit" is undefined in the bill. Accordingly, it is not clear how the term would apply to the credits of a specified entity that are carried over from a prior year or for purposes of credit assignment or sale. Absent a definition or specific provisions regarding credits that have been assigned, sold, or carried over, this ambiguity may lead to confusion for taxpayers, software providers, and the FTB.
- d) *Related legislation*:
- i) AB 1633 (Haney) would enact the Private Detention Facility Tax Law, which would impose, beginning January 1, 2027, an annual tax upon all private detention facility operators equal to 50% of the operator's gross receipts derived from the operation of each private detention facility in California. AB 1633 is currently pending hearing by this Committee.
 - ii) AB 1675 (Lee) would enact the No Tax Breaks for ICE Contractors Act of 2026, which would make any corporation that provides goods or services pursuant to contracts with DHS, either directly or through subcontracts, ineligible for any tax expenditure, as specified, under the CT Law for taxable years beginning on or after January 1, 2027, and before January 1, 2032. AB 1675 is currently pending hearing by this Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

A New Path (parents for Addiction Treatment & Healing)
AAPIs for Civic Empowerment
Alianza
Alianza Sacramento
Alliance for a Better Community
Bend the Arc California
Buen Vecino
Building Skills Partnership

CA Healthy Nail Salon Collaborative
California Coalition for Women Prisoners
California Community Foundation
California Coverage & Health Initiatives
California Federation of Labor Unions
California Immigrant Policy Center
California LGBTQ Health and Human Services Network
California United for a Responsible Budget (CURB)
Center for Human Rights and Constitutional Law
Central American Resource Center of California (CARECEN-LA)
Central Valley Immigrant Integration Collaborative
Communities United for Restorative Youth Justice (CURYJ)
Congregations Organized for Prophetic Engagement (COPE)
Courage California
Democratic Socialists of America - Los Angeles
Disability Rights California
End Child Poverty CA
Esperanza Community Housing
Felony Murder Elimination Project
Friends Committee on Legislation of California
Grace Institute - End Child Poverty in CA
Haywood Burns Institute
Immigrant Defenders Law Center
Indivisible CA Statestrong
Justice2Jobs Coalition
LA Defensa
Latino Health Access
Majdal Arab Community Center of San Diego
Moreno Institute
Órale: Organizing Rooted in Abolition Liberation and Empowerment
PICO California
Pilipino Workers Center of Southern California
San Diego Refugee Communities Coalition
Secure Justice
South Asian Network
South Bay People Power
State Superintendent of Public Instruction Tony Thurmond
Street Level Health Project
Thai Community Development Center
The San Diego LGBT Community Center
UDW/AFSCME Local 3930
Universidad Popular
Working Partnerships USA
Youth Leadership Institute

Opposition

Acclamation Insurance Management Services
Allied Managed Care
American Petroleum and Convenience Store Association

Associated General Contractors, California
Associated General Contractors-San Diego Chapter
CalBroadband
California Bankers Association
California Chamber of Commerce
California Construction and Industrial Materials Association
California Trucking Association
Construction Employers' Association
Flasher Barricade Association
Software & Information Industry Association
TechCA
TechNet

Analysis Prepared by: Wesley Whitaker / REV. & TAX. / (916) 319-2098