



## Bill Analysis

Author: Ortega, et al.

Sponsor:

Bill Number: AB 2465

Related Bills: See Legislative

Introduced February 20, 2026,  
and Amended April 06, 2026

## SUBJECT

The No Taxpayer Dollars for Family Separation

## SUMMARY

This bill would, under the Government Code (GOV), Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), for taxable years beginning on or after January 1, 2027, disallow any state provided benefit, subsidy, grant, loan or tax credit provided under the PITL and CTL to any business entity that 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, as specified.

Further, the bill would require the Franchise Tax Board (FTB) to estimate the amount of credits that were not claimed because of this bill, and then deposit those funds into the new fund named the "California Immigrant Resilience Fund" created in the State Treasury.

This is the FTB's first analysis of the bill and only addresses the provisions of the bill that would impact the FTB's programs or operations.

## RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

## SUMMARY OF AMENDMENTS

The April 06, 2026, amendments removed the provisions that would have disallowed any state-provided benefit, subsidy, grant, loan, or tax credit to any entity that invests, owns, manages or profits from a private immigration detention facility or any primary business that is contracting with United States Immigration and Customs Enforcement or the United States Department of Homeland Security and replaced them with the provisions discussed in this analysis and added co-authors.

## REASON FOR THE BILL

The reason for the bill is to not allow taxpayer dollars to go to business entities in the form of tax credits for those businesses that invest in certain immigration enforcement related activities, as specified.

## ANALYSIS

For taxable years beginning on or after January 1, 2027, under the PITL and CTL, this bill would make any business entity that 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, ineligible for any tax credits. The entity would be ineligible for any credit for the taxable year during which the investing, owning, managing, profiting, or contracting occurs.

The bill states that the credit provided under Section 19002 (related to tax withholding payments) and the credit allowable for estimated tax payments paid pursuant to Section 19023 (corporate estimated payments) would be allowed.

The bill would define the following terms under the PITL and CTL:

- "Agency engaging in immigration enforcement" means any out-of-state agency or federal agency that assists with or engages in immigration enforcement.
- "Immigration enforcement" has the same definition as that term is defined in Section 7284.4 of the GOV.
- "Invests in" means an entity that owns at least 5 percent of a private detention facility or private detention facility operator.
- "Manages" means an entity that the owner contracts with to control the daily operations of a private detention facility or private detention facility operator.
- "Owns" means an entity that owns at least 5 percent 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.
- "Private detention facility" and "private detention facility operator" have the same meanings as those terms are defined in Section 7320 of the GOV.

The bill states that the FTB shall require a taxpayer to declare whether they are an entity ineligible for credits for each taxable year in a form and manner prescribed by the FTB.

This bill would exempt the FTB's criteria, procedures, determinations, rules, notices, or guidelines from the requirements of the Administrative Procedure Act.

The bill would require 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 section, for the taxable year that is two years prior and to report that estimate to the Controller.

The bill would establish the "California Immigrant Resilience Fund" to be created in the State Treasury. Upon receiving an estimate from the FTB of the amount of funds attributable to business entities being made ineligible for tax credits, the Controller would be required to transfer an amount equal to that estimate from the General Fund to the California Immigrant Resilience Fund.

The bill provides that the reporting provisions of this subdivision would be treated as an exception to the disclosure rules under Section 19542.

#### *Effective/Operative Date*

This bill would be effective January 1, 2027, and specifically operative for taxable years beginning on or after January 1, 2027.

#### *Federal/State Law*

##### *Federal Law*

No comparable provisions in federal law.

##### *State Law*

Existing state laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) 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.

Current state law generally allows for 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.

#### *Implementation Considerations*

The FTB has identified the following considerations and is available to work with the author's office to resolve these and other considerations that may be identified.

The 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 PITL and CTL. If this is contrary to the author's intent, the bill should be amended.

The term "ineligible for any credit" is undefined in the bill. It is not clear how the term would apply to the credits of a specified entity that is carried over from a prior year or for purposes of credit assignment or sale. Absent a definition, the ambiguous term may lead to confusion for taxpayers, software providers, and the FTB.

#### *Technical Considerations*

None noted.

#### *Policy Considerations*

This bill does not provide a sunset date, which would generally allow periodic review of the effectiveness of the tax law change. If this is contrary to the author's intent, the author may wish to amend the bill.

### **LEGISLATIVE HISTORY**

AB 1675 (Lee, et al., 2025/2026), under the Revenue and Taxation Code, would deny all tax expenditures to any taxpayer that contracts with United States Department of Homeland Security. AB 1675 has been referred to the Assembly Committee on Revenue and Taxation.

### **PROGRAM BACKGROUND**

None noted.

### **OTHER STATES' INFORMATION**

None noted.

### **FISCAL IMPACT**

FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

### **ECONOMIC IMPACT**

#### *Revenue Estimate*

This bill would prohibit the allowance of any tax credit to any business entity that directly invests in, owns, manages, or profits from a private detention facility, or that contracts with a private detention facility or with an agency engaging in immigration enforcement for the purpose of aiding in or furthering immigration enforcement.

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.

However, it is assumed that for every \$1 million in tax credits claimed by qualified taxpayers who would become ineligible under this bill, the estimated revenue gain would be \$1 million.

### **LEGAL IMPACT**

None noted.

### **EQUITY IMPACT**

None noted.

### **APPOINTMENTS**

None noted.

### **SUPPORT/OPPOSITION**

Assembly Committee Judiciary Analysis, dated April 10, 2026

#### *Support*

California Immigrant Policy Center (co-sponsor), Pico California (co-sponsor), State Superintendent of Public Instruction Tony Thurmond (co-sponsor), A New Path (Parents for Addiction Treatment & Healing), AAPIs for Civic Empowerment, 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 Union,s 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 CFT – a Union of Educators & Classified Professionals, AFT, AFL-CIO, Communities United for Restorative Youth Justice (CURYJ), Congregations Organized for Prophetic Engagement (COPE) Democratic Socialists of America - Los Angeles, 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 Majdal Arab Community Center of San Diego, Moreno Institute, Orale: Organizing Rooted in Abolition Liberation and

Empowerment, Pilipino Workers Center of Southern California, San Diego Refugee Communities Coalition, Secure Justice, South Asian Network, South Bay People Power, Street Level Health Project, Thai Community Development Center, The San Diego LGBT, Community Center, The W. Haywood Burns Institute, UDW/AFSCME Local 3930 Universidad Popular, Working Partnerships USA, and Youth Leadership Institute

### *Opposition*

Acclamation Insurance Management Services, Allied Managed Care Associated General Contractors, California, Associated General Contractors-San Diego Chapter, Calbroadband, California Bankers Association, California Chamber of Commerce, California Construction and Industrial Materials Association, Construction Employers' Association, Flasher Barricade Association, Software & Information Industry Association, TechCA, and Technet

## **ARGUMENTS**

Assembly Committee Judiciary Analysis, dated April 10, 2026

### *Proponents*

The bill is supported by Superintendent Tony Thurman, noting 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.

### *Opponents*

The bill is opposed by a coalition of business advocates led by the California Chamber of Commerce, noting in part:

Though the bill purports to target “any entity that “invests in, owns, manages, or profits from a private immigration detention facility,” that category of entities is, for purposes of our concerns, subsumed by the broader category – contracting with an “agency engaging in immigration enforcement” – so we will focus on the broad category covered by the bill.

“State-provided benefit” is also undefined, meaning it is unclear what other state programs might be considered a “state-provided benefit” and

therefore prohibited under AB 2465. For example – would a state contract to provide a basic service be considered a “state-provided benefit”? Certainly, it is state resources being provided to a company.

The list of problematic federal agencies under AB 2465 is also undefined. Though the term “agency engaging in immigration enforcement” *is* defined in the bill, the definition is circular, so it does not actually clarify the covered agencies who might trigger a violation of the bill. We can only assume that it would include all federal agencies potentially involved in, or assisting in, “immigration enforcement,” which we would assume includes, but is not limited to, ICE or Department of Homeland Security (DHS), Customs and Border Patrol (CBP).

## LEGISLATIVE CONTACT

[FTBLegislativeServices@ftb.ca.gov](mailto:FTBLegislativeServices@ftb.ca.gov)