



[Senate Bill 420](#) (Padilla)

Date: June 3, 2026 (Amended)
Program: Property Taxes
Revenue and Taxation Code section 214
Effective: Upon enactment, immediately

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Summary: Senate Bill (SB) 420 adds section 214.12 to the Revenue and Taxation Code (RTC) to prohibit for-profit organizations operating detention facilities from qualifying for California's Welfare Exemption property tax relief. It states that for the purposes of RTC section 214, "property used exclusively for religious, hospital, scientific, or charitable purposes" shall **not** include property, or any portion thereof, operated as a detention facility by a for-profit entity.

Fiscal Impact Summary: The SB 420 proposal to add Section 214.12 to the RTC to prohibit organizations connected with detention facilities from qualifying for California's Welfare Exemption property tax relief would result in an estimated annual revenue gain of \$721,000.

Existing Law: Under the California Constitution, all property is taxable, unless exempted by the State Constitution or the laws of the United States.¹ The Legislature may exempt from property taxation in whole or in part, property used exclusively for religious, hospital, scientific, or charitable purposes and owned or held in trust by nonprofit corporations or other entities if certain criteria are met.²

This exemption is known as the Welfare Exemption, and it is implemented by RTC³ section [214](#). Section 214 generally exempts from taxation, subject to certain conditions and qualifications, property that is (1) owned by nonprofit organizations organized and operated for qualifying purposes and (2) used exclusively for those purposes.

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 is qualified for an *Organizational Clearance Certificate* (OCC), while the Assessor is responsible for determining whether the use of a qualifying organization's property is eligible for the Welfare Exemption. The Assessor shall not grant the Welfare Exemption on an organization's property unless the organization holds a valid OCC issued by the BOE. However, the Assessor may deny a Welfare Exemption claim based on non-qualifying use of the property, notwithstanding that the BOE has issued the organization an OCC. The BOE tracks [qualified organizations](#) that hold valid OCCs and monitors those organizations for continued eligibility.

¹ California Constitution, [article XIII, section 1](#).

² California Constitution, [article XIII, section 4\(b\)](#).

³ All statutory references are to the Revenue and Taxation Code, unless otherwise provided.

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. The County Assessor is responsible for evaluating the claim, determining whether the use of the property meets the statutory requirements for receiving the Welfare Exemption, and ultimately granting or denying the exemption to claimants.

Proposed Law: This bill adds section 214.12 to the RTC to state that for the purposes of RTC section 214, “property used exclusively for religious, hospital, scientific, or charitable purposes” shall **not** include property, or any portion thereof, operated as a detention facility by a for-profit entity.

“Detention facility” shall have the same meaning as is provided in section 9500 of the Penal Code, which defines the following terms as follows:

(a) “Detention facility” means any facility in which persons are incarcerated or otherwise involuntarily confined for purposes of execution of a punitive sentence imposed by a court or detention pending a trial, hearing, or other judicial or administrative proceeding.

(b) “Private detention facility” means a detention facility that is operated by a private, nongovernmental, for-profit entity, and operating pursuant to a contract or agreement with a governmental entity.

Effective Date. Takes immediate effect as a tax levy.

In General: Under section 4(b) of article XIII of the California Constitution, the Legislature is authorized to exempt from taxation, in whole or in part:

Property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by corporations or other entities (1) that are organized and operated for those purposes, (2) that are nonprofit, and (3) no part of whose net earnings inures to the benefit of any private shareholder or individual.

In exercising the above constitutional authorization, the Legislature enacted section 214, which reiterates the constitutional authorization and outlines numerous conditions and qualifications for receiving the exemption and adds scientific as the fourth qualifying purpose. Section 214 provides that property used exclusively for charitable purposes owned and operated by corporations organized and operated for charitable purposes is exempt from taxation if the owner is not organized and operated for profit and the property is used for the actual operation of the exempt activity.

Charitable Purposes. An organization's primary purpose must be either religious, hospital, scientific, or charitable. Whether its operations are for one of these purposes is determined by its activities.

This staff analysis is provided to address various administrative, cost, revenue, and policy issues. It is not to be construed to reflect or suggest the BOE's formal position.

Exclusive Use. The RTC does not specifically define the term “used exclusively.” However, the courts have done so in a series of decisions. The California Supreme Court has stated that the phrase “used exclusively ” may not be given a literal interpretation so as to mean that the property exempted must be used solely for the purposes stated to the total exclusion of any other use.

The Supreme Court held that used exclusively for exempt purposes includes any use of the property which is incidental to and reasonably necessary for the accomplishment of the exempt purpose.⁴ Courts have applied this precedent to mean that a qualified organization's primary use of its property must be for exempt purposes, but the term “exclusively” does not preclude activity “which while not charitable in the traditional sense, is merely incidental to the charitable purpose and not in competition with commercial enterprise.”⁵

Commentary:

Author Comments. SB 420 was originally drafted by State Senator Steve Padilla (D-San Diego) to regulate artificial intelligence and automated decision systems. The bill was thoroughly rewritten (gut and amend) to focus strictly on state property taxation with Senators Jerry McNerney, Thomas Umberg and Senator Anthony Pérez joining as coauthors. The foundation of the amendment was an investigative report by KPBS, which reported that the Brawley Community Foundation (Brawley), a non-profit organization based in Imperial County which owns land used as an Immigration and Customs Enforcement (ICE) detention facility, avoided paying at least \$6 million in local property taxes through California’s Welfare Exemption program. Senator Padilla’s statement was as follows: “Californians should not be forced to subsidize private immigration detention centers through tax breaks intended for true charitable organizations.”

The Qualification for Welfare Exemption. The Welfare Exemption requires that property be used exclusively for religious, charitable, hospital, or scientific purposes by qualifying organizations. However, it may accomplish its qualifying purposes through other organizations. Therefore, an owner may contract with other organizations to accomplish its qualifying purposes.

Drafting Issues. As a technical matter, the proposal in its current form may be redundant since RTC section 214 already disqualifies all for-profit entities from the Welfare Exemption. For these reasons, we suggest the following clarifying language:

⁴ *Cedars of Lebanon v. County of Los Angeles* (1950) 35 Cal.2d 729, 736.

⁵ *Greek Theatre Association v. County of Los Angeles* (1978) 76 Cal.App.3d 768, at 776; see also *Honeywell Information Systems, Inc. v. County of Sonoma* (1974) 44 Cal.App.3d 23; *YMCA v. County of Los Angeles* (1950) 35 Cal.2d 760; *St. Germain Foundation v. County of Siskiyou* (1963) 212 Cal.App.2d 911.

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(a) For purposes of Section 214, “property used exclusively for religious, hospital, scientific, or charitable purposes” shall not include property, or any portion thereof, operated as a detention facility **and managed** by a for-profit entity.”

Or,

(a) For purpose of Section 214, “property used exclusively for religious, hospital, scientific, or charitable purposes” shall no include property, or any portion thereof, operated as a detention facility.

Costs: The BOE estimates one-time administrative costs of \$31,000 in 2026/27.

Revenue Impact:

BOE contacted Imperial, San Diego Kern, and San Bernardino counties for information regarding this bill. San Bernardino indicated that they do not have for-profit detention centers. San Diego stated that a for-profit detention center is in operation but that no exemption has been granted. Kern County indicated they have three for-profit detention facilities in operation and none of them receive the exemption. Imperial County provided detention center-based exemption data, and the annual average exempt tax estimate over the past five years was \$721,000.

Revenue Summary: This proposal to add RTC section to prohibit organizations connected with detention facilities from qualifying for California's Welfare Exemption property tax relief would result in an estimated annual revenue gain of approximately \$721,000.

Qualifying Remark:

This revenue estimate does not account for any changes in economic activity that may or may not result from the enactment of the proposed law.

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