

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 5, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HJR38 by Leach (Proposing a constitutional amendment prohibiting the imposition of an individual income tax.), **As Introduced**

The joint resolution could result in a significant loss of state franchise tax revenue, depending on potential future legal decisions. The cost to the state for publication of the resolution is \$177,289.

The resolution would propose amending Article VIII of the Texas Constitution to prohibit the imposition of an individual income tax. This resolution proposes repealing Section 24 and adding the new Section 24-a, which would prohibit the legislature from imposing a tax on the net incomes of individuals, including an individual's share of partnership and unincorporated association income.

The proposed constitutional amendment would be submitted to voters in an election to be held November 5, 2019.

The joint resolution strikes "natural persons" from Section 1(c) of Article VIII of the Texas Constitution. It also adds Section 24-a stating that the legislature may not impose a net income tax on "individuals." The term "individuals" is not defined and could be interpreted to include entities that are currently subject to the state's franchise tax.

To the extent the joint resolution might exempt some entities from the franchise tax, there could be a loss to state revenue. Because such a determination would depend on potential future legal decisions, the effect of the joint resolution on state revenue cannot be estimated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD