

BILL ANALYSIS

Senate Research Center
89R16486 SRA-F

C.S.S.B. 1058
By: Parker
Business & Commerce
3/18/2025
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas currently has no operating stock exchanges, but as the state continues to grow as a financial hub, attracting a national stock exchange would be a natural next step. However, the Texas Tax Code is unclear on how the Texas franchise tax applies to stock exchanges, creating uncertainty that could deter potential entrants.

Most major U.S. stock exchanges use a maker-taker pricing model to facilitate trading. This model encourages liquidity by rewarding participants who place limit orders (makers) with rebates while charging fees to those who execute trades immediately (takers). For example, if a maker rebate is \$0.0025 per share and a taker fee is \$0.0030 per share, a stock exchange earns a net revenue of \$0.50 per 1,000 shares traded after paying out rebates. Given the volume of trades on national exchanges, these rebates represent a significant portion of transaction-based expenses, impacting the actual revenue a stock exchange earns.

S.B. 1058 seeks to clarify how the Texas franchise tax applies to stock exchanges by allowing transaction rebates to be deducted from total revenue when calculating taxable margin. This adjustment ensures that stock exchanges are taxed on their actual net revenue rather than an inflated figure that includes rebate payments.

(Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 1058 amends current law relating to the exclusion of certain securities transaction payments from the total revenue of a taxable entity that is a registered securities market operator.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 171.0001(13-a), Tax Code, to redefine "security."

SECTION 2. Amends Section 171.1011, Tax Code, by adding Subsections (y) and (z), as follows:

(y) Requires a taxable entity that is a registered securities market operator to exclude from its total revenue transaction rebate payments made by the operator to a broker or dealer as part of a securities transaction.

(z) Defines "broker," "dealer," "registered securities market operator," "securities transaction," and "transaction rebate payment."

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: January 1, 2026.