

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 29, 2025

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3684 by Capriglione (Relating to the exclusion of certain securities transaction payments from the total revenue of a taxable entity that is an exchange or a member of an exchange for purposes of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3684, As Introduced: an impact of \$0 through the biennium ending August 31, 2027.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$560,000) for the 2026-27 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2026	\$0
2027	\$0
2028	\$0
2029	\$0
2030	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from Property Tax Relief Fund 304
2026	\$0
2027	(\$560,000)
2028	(\$580,000)
2029	(\$600,000)
2030	(\$620,000)

Fiscal Analysis

The bill would exclude certain securities transaction payments from the total revenue of a taxable entity that is an exchange or a member of an exchange for the purposes of the franchise tax.

A taxable entity would be able to exclude from its total revenue, if the entity was an exchange, transaction rebate payments made by the exchange to a member of the exchange as part of a securities transaction; and if the entity is a member of an exchange, transaction rebate payments made to the member by the exchange as part

of a securities transaction. The bill would add definitions for terms related to such transactions.

The bill would be effective January 1, 2026.

Methodology

Currently there are plans for two stock exchanges to begin operations in Texas. A new Texas Stock Exchange reportedly plans to begin trading in early 2026. And the Chicago NYSE reportedly will reincorporate as Texas NYSE.

Transaction rebate payments made by exchanges domiciled in the state to member companies would be revenue apportionable to the state for franchise tax. This estimate assumes transaction rebate payment volume for these regional exchanges would initially equal 5 percent of that of the NASDAQ exchange, with first revenue implications occurring for franchise tax report due in 2027.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, RStu, SD