LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 4, 2025

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SJR18** by Perry (Proposing a constitutional amendment prohibiting the imposition of a tax on the realized or unrealized capital gains of an individual, family, estate, or trust.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SJR18, As Introduced: a negative impact of ($191,689) 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 ($304,000) 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to *General Revenue Related Funds*
2026	($191,689)
2027	$0
2028	$0
2029	$0
2030	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *Property Tax Relief Fund* 304	Probable (Cost) from *General Revenue Fund* 1
2026	($152,000)	($191,689)
2027	($152,000)	$0
2028	($152,000)	$0
2029	($152,000)	$0
2030	($152,000)	$0

Fiscal Analysis

The proposed resolution would amend Article VIII of the Texas Constitution to add Section 24-b. This section would prohibit the Legislature from imposing a tax on the realized or unrealized capital gains of an individual, family, estate, or trust; including a tax on the sale or transfer of a capital asset that is payable by the individual, family, estate, or trust selling or transferring the asset.

The section to be added would not prohibit: the imposition of ad valorem taxes on property; a sales tax on the retail sale of goods or services; or a use tax on storage, use or other consumption of goods or services purchased at retail.

The proposed amendment would be submitted to voters at an election to be held November 4, 2025, and would take effect January 1, 2026, if passed.

Methodology

This estimate, provided by the Comptroller of Public Accounts, is based on the assumption that business trusts would continue to be taxed on all revenue other than capital gains under current law and that other taxable entities would not elect to become business trusts in order to take advantage of the capital gain exemption. In Report Year 2024, the elimination of the capital gains tax would have resulted in a $152,000 loss of franchise tax revenue. Actual revenue loss would depend on the number of entities finally subject to the amendment's provisions and each entity's choice-once capital gains and all other prohibited items are removed from taxability-of the franchise tax base to be used and the applicable tax rate.

The cost to the state for publication of the resolution is $191,689, which is included in the table above.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD