

SUBJECT: Prohibiting a tax on certain financial transactions

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 10 ayes — Meyer, Thierry, Button, Cole, Guerra, Murphy, Noble, Rodriguez, Sanford, Shine

0 nays

1 absent — Martinez Fischer

WITNESSES: For — None

Against — Dick Lavine, Every Texan

On — (*Registered, but did not testify*: Karey Barton, Comptroller of Public Accounts)

DIGEST: HB 3702 would prohibit a law from being enacted after January 1, 2022, that would impose an occupation tax upon a registered securities market operator or a tax upon a securities transaction of a registered securities market operator.

The bill would not prohibit the change of a tax rate in existence on January 1, 2022, nor would it prohibit the imposition of:

- a general business tax measured by business activity;
- a tax on the production of minerals;
- a tax on insurance premiums;
- a general sales tax on tangible personal property or services; or
- a fee based on the cost of processing documents.

The bill would take effect January 1, 2022, but only if the constitutional amendment to authorize the Legislature to prohibit the enactment of a law that would impose a tax on certain security transactions was approved by

voters. If not approved, the bill would have no effect.

**SUPPORTERS
SAY:**

HB 3702 would prohibit the Legislature from imposing any new taxes on either the transfer of securities or the processing of financial transactions, protecting Texans and Texas businesses. Many people have a 401(k), IRA, or pension that they rely on for their retirement and that depends on marginal returns on investment. A tax on financial transactions could cut into those returns and make it more difficult to save for the future. Such a tax would be even more detrimental to institutional investors that invest money on behalf of individuals. By prohibiting a tax on financial transactions, the legislation would support retirees while keeping Texas open for business. The Legislature has chosen to preemptively prohibit certain taxes before, and it is appropriate to do so in this case in order to help protect the prosperity of the state and its retirees.

**CRITICS
SAY:**

The Legislature should not cut off potential future sources of revenue through HB 3702. Given the potential for growth in the financial industry and financial technologies, it would be unwise to preemptively exempt certain financial transactions from taxation.

NOTES:

HB 3702 is the enabling legislation for HJR 140 by Paddie, which would constitutionally prohibit a tax on certain security transactions. HJR 140 is on the Constitutional Amendments Calendar today.