

SUBJECT: Constitutionally 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 — (*Registered, but did not testify*: Dick Lavine, Every Texan)

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

DIGEST: HJR 140 would amend the Texas Constitution to 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 resolution 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 ballot proposal would be presented to voters at an election in
November 2021, and would read: "The constitutional amendment to
prohibit the enactment of a law that imposes a tax on certain transactions

that either convey a security or involve specified derivative contracts."

**SUPPORTERS
SAY:**

HJR 140 would amend the Texas Constitution to 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 HJR 140. 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, the enabling legislation for HJR 140 by Paddie, is set for second reading consideration today.

According to the fiscal note, the cost to the state for publication of the resolution would be \$178,333.