

SUBJECT: Amending the Constitution to prohibit capital gains taxes

COMMITTEE: Ways & Means — favorable, without amendment

VOTE: 10 ayes — Meyer, Button, Capriglione, Gervin-Hawkins, Hickland, Muñoz, Noble, V. Perez, Troxclair, Vasut

2 nays — Martinez Fischer, Bernal

1 absent — Turner

WITNESSES: For — (*Registered, but did not testify*: Peyton Schumann, Texas and Southwestern Cattle Raisers Association; Drew Fuller, Texas Farm Bureau; Julia Parenteau, Texas Realtors)

Against — (*Registered, but did not testify*: Shannon Halbrook, Every Texan; Fran Rhodes, True Texas Project)

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

DIGEST: HJR 6 would amend the Texas Constitution to prohibit the Legislature from imposing a tax on the realized or unrealized capital gains of an individual, family, estate, or trust. The resolution could not be construed to prohibit the imposition of a property, sales, or use tax.

The ballot proposal would be presented to voters at an election on November 4, 2025, and would read: “The constitutional amendment prohibiting the imposition of a tax on the realized or unrealized capital gains of an individual, family, estate, or trust.”

SUPPORTERS SAY: HJR 6 would encourage economic growth and contribute to Texas’ pro-business environment by prohibiting capital gains taxes in the state. While the state Constitution currently prohibits an income tax, it does not explicitly prohibit a tax on capital gains. Capital gains taxes can discourage investment, slow economic growth, and reduce job creation. If

Texas were to impose a capital gains tax, many businesses may choose to relocate to a jurisdiction with more favorable tax policies. HJR 6 would provide long-term certainty in tax policy for businesses and investors and would give them confidence that Texas is committed to low taxes and a business-friendly environment.

The resolution would eliminate all capital gains taxes, including the franchise tax on business trusts, which could be considered a capital gains tax.

CRITICS
SAY:

HJR 6 would be unnecessary since there is currently no capital gains tax in Texas, and no bills have been filed this session proposing one. The bill also could restrict future legislatures from accessing this source of revenue for the state.

The resolution could reduce tax revenue and encourage business entities to organize as business trusts to avoid paying franchise taxes. Under HJR 6, the current franchise tax on business trusts that sell assets for a gain would be considered a capital gains tax and would no longer be constitutional.

NOTES:

According to the Legislative Budget Board, the resolution would have a negative impact of about \$304,000 to the Property Tax Relief Fund for fiscal 2026-27. The estimated cost to the state for publication of the resolution would be \$191,689.