

RESOLUTION ANALYSIS

S.J.R. 18
By: Perry
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In 2024, Site Selection recognized Texas for its pro-business environment, largely due to its commitment to low taxation and minimal regulatory burdens. Although the Texas Constitution currently prohibits the imposition of an individual income tax, it does not explicitly prohibit the imposition of a tax on capital gains. The state's failure to prohibit the imposition of a capital gains tax leaves open the possibility that a future legislature could attempt to impose such a tax, potentially undermining Texas' economic competitiveness. Capital gains taxes, whether on realized or unrealized gains, could discourage investment, slow economic growth, and reduce job creation. And a Tax Foundation study noted that high taxes on capital gains and dividends can reduce aggregate savings and investment. Ensuring long-term certainty in tax policy by explicitly prohibiting any form of capital gains taxation could be critical in maintaining Texas' status as an economic leader. S.J.R. 18 proposes a constitutional amendment to prevent the imposition of a capital gains tax, reinforcing Texas' commitment to a low-tax, business-friendly environment and ensuring that businesses, investors, and entrepreneurs can continue to operate with confidence that the state will not impose additional tax burdens on investment income.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this resolution does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this resolution does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.J.R. 18 proposes an amendment to 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, 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. This prohibition may not be construed as modifying the applicability or prohibiting the imposition or change in the rate of a property tax on property, a sales tax on the sale of goods or services, a use tax on the storage, use, or other consumption in Texas of goods or services, or a general business tax measured by business activity.

ELECTION DATE

The constitutional amendment proposed by this joint resolution will be submitted to the voters at an election to be held November 4, 2025.