

SUBJECT: Amending the Texas Constitution to prohibit a state individual income tax

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — Burrows, Bohac, Murphy, Noble, Sanford, Shaheen, Wray

2 nays — Cole, E. Rodriguez

2 absent — Guillen, Martinez Fischer

WITNESSES: For — Terry Holcomb, Republican Party of Texas; Vance Ginn, Texas Public Policy Foundation; (*Registered, but did not testify*: Jeremy Fuchs, Texas and Southwestern Cattle Raisers Association; Crystal Main; Roy Morales)

Against — (*Registered, but did not testify*: Dick Lavine, Center for Public Policy Priorities; Lisa Dawn-Fisher, Texas State Teachers Association)

BACKGROUND: Texas Constitution Art. 8, sec. 24 allows the Legislature to impose by general law a net income tax on individuals, including an individual's share of partnership and unincorporated association income, only if approved by a majority of registered voters in a statewide referendum.

DIGEST: HJR 38 would amend the Texas Constitution to prohibit the Legislature from imposing a net income tax on individuals, including on an individual's share of partnership or unincorporated association income.

The ballot proposal would be presented to voters at an election on November 5, 2019, and would read: "The constitutional amendment prohibiting the imposition of an individual income tax, including a tax on an individual's share of partnership and unincorporated association income."

SUPPORTERS SAY: HJR 38 would keep the Texas economy strong by making certain that the state never could impose a state individual income tax.

The lack of an individual income tax is part of the low-tax, pro-growth approach that has fueled the state's robust economic expansion. Texas has become a prime place for families and businesses to relocate in large part due to the absence of such a tax. Introducing an individual income tax would disincentivize savings, investment, productivity, job creation, and economic growth in the state. Considering these potentially serious effects on the state's economy, the Texas Constitution should prohibit the state from imposing an individual income tax.

An individual income tax also would increase the size of government at the expense of individual liberty. The tax would require a large governmental bureaucracy that would dwarf that which currently administers the sales tax, meaning higher taxes and fees for taxpayers. Texans know better than government how to spend their money, and HJR 38 would make sure that they kept more of their hard-earned tax dollars.

The Texas Constitution currently only sets out limitations on the creation of an individual income tax. HJR 38 would make clear once and for all that the state never could impose such an income tax, protecting both taxpayers and the state's continued economic expansion.

**OPPONENTS
SAY:**

HJR 38 would rule out the possibility of introducing a tax that could offset the regressivity of the state's tax system and provide a solution to the state's school property tax and school finance problems.

Revenue from an individual income tax would increase with economic growth and could reduce the tax burden on businesses, which pay a higher proportion of taxes in Texas than in other states due to the absence of an individual income tax. The Texas Constitution requires that revenue from an individual income tax be used to cut school property taxes and fund education. Under an individual income tax, all but the wealthiest Texans would pay less in taxes. The potential benefits of an individual income tax should not be foreclosed through a shortsighted constitutional amendment.

HJR 38 also would be unnecessary because the Texas Constitution already sets a high bar for imposing an individual income tax by requiring

HJR 38
House Research Organization
page 3

approval by a majority of registered voters at a statewide referendum. Texas never has come close to exercising this provision, so it is not clear why HJR 38 is needed.

NOTES: According to the Legislative Budget Board, HJR 38 would have no fiscal implication to the state other than the cost for publication of the resolution, which would be \$177,289.