



This session legislators must pass an Operating, Capital and Transportation budget for the 2025-27 biennium. The biggest uncertainty facing the legislature this session is the projected \$12-\$16 billion deficit of the 4-year outlook. Due to this deficit the legislature is considering new revenue in order to balance the budget.

The Senate Democrats have released a \$17-\$20 billion tax package which includes a wealth tax, a statewide payroll tax, raising the property tax growth limit, a repeal of twenty tax exemptions, and a decrease in the state sales tax. You can view their proposal [here](#). The House Democrats have released their proposed revenue package which includes a wealth tax, an increase in the property tax growth limit, a 1% B&O surcharge on high grossing corporations, and a B&O increase on financial institutions with an annual net income of \$1 billion. You can view their proposal [here](#). The House Democrat's proposal would generate \$5.1 billion for the 2025-27 budget and \$13-\$14 billion over the next two budgets.

Both the House and Senate must negotiate and agree on a final budget and revenue plan by the end of the legislative session on April 27th. The budget then needs to be signed by Governor Ferguson. Below is a description of the two tax packages with associated bill numbers.

Senate Democrat's Major Revenue Proposals

Financial Intangible Assets Tax (Wealth Tax) – [SB 5797](#)

- Tax of 1% of assessed value of certain financial assets such as stocks, bonds, exchange-traded funds, and mutual funds.
- Individuals with more than \$50 million of these assets would pay the tax. Applies to the entire amount.
- Estimated to impact 4,300 taxpayers.
- Estimated revenue over four years: \$12 billion.

Payroll Expense Tax – [SB 5796](#)

- 5% tax paid by the employer on payroll expenses above the Social Security threshold — currently \$176,100 per year.
- This tax is limited to companies with \$7 million or more in payroll expenses. • Estimated to impact about 5,300 taxpayers.
- Estimated revenue over four years: \$6.9 billion.

Property Tax Growth Limit Increase – [SB 5798](#)

- Allows an increase in annual property tax growth from the current 1% cap to the combined rate of population growth plus inflation. Removes cap.
- Applies to the state's common schools levy and for cities and counties, as well as special purpose districts.
- Estimated revenue over four years: \$779 million.

Tax Preference Elimination - [SB 5794](#)

- Repeals various tax preferences, deductions, and exemptions across multiple industries, including transportation, agriculture, international commerce, healthcare, energy, and nonprofits, while updating job creation tax credits and clarifying public policy objectives for certain tax benefits.
- Estimated revenue over four years: \$1 billion.

Total revenue raised by Senate package over 4 years: approximately \$20.7 billion

House Democrat's Major Revenue Proposals

Financial Intangible Assets Tax (Wealth Tax) - [HB 2046](#)

- Tax of 1% of assessed value of certain financial assets such as stocks, bonds, exchange-traded funds, and mutual funds.
- Individuals with more than \$50 million of these assets would pay the tax. Applies to the amount above the \$50 million threshold.
- Estimated to impact 4,300 taxpayers.
- Estimated revenue over four years: \$6 billion

Business and Occupation Tax Surcharge - [HB 2045](#)

- Permanent 1% surcharge to the business and occupation tax rate on businesses with taxable income over \$250 million beginning January 1, 2026.
- Exemptions: manufactures, semiconductor manufacturing, manufacturers and processors of various foods and by-products, commercial airplane activities, alternative jet fuel manufacturing, aluminum manufacturing, and manufacturing solar energy systems.
 - Estimated to impact 400 taxpayers.
- Increases the surcharge on financial institutions with annual net income of \$1 billion or more from 1.2% to 1.9% beginning July 1, 2025.
 - Estimated to impact 200 taxpayers
- Estimated revenue over four years: \$6.6 billion

Property Tax Growth Limit Increase - [HB 2049](#)

- Allows an increase in annual property tax growth from the current 1% cap to the combined rate of population growth plus inflation, not to exceed 3%.
- Applies to the state's common schools levy and for cities and counties, as well as special purpose districts.
- Estimated revenue over four years: \$500 million.

Total revenue raised: approximately \$13.1 billion

***Additional revenue options that have been presented to members are listed below with associated bill number for those that have them. Revenues are 4-year numbers from fiscal notes or the DOR Revenue Alternatives sheet from September 2024.*

Gold Bullion - [HB 1965](#)

- Eliminates tax preferences for sale of precious metals and bullion.
- Estimate revenue over 4 years: \$64 million

Self-service storage rental subject to services B&O - [HB 1907/SB 5711](#)

- Defines the rental of individual storage space at self-service storage facilities as a retail transaction subject to the business and occupation and retail sales and use tax.
- Estimated revenue over 4 years: \$147.6 million

Temporary staffing services a retail sale – retailing B&O and sales tax

- Estimate revenue over 4 years: \$926 million

Custom software a retail sale – retailing B&O and sales tax

- Estimate revenue over 4 years: \$454 million

Nicotine Tax - [HB 2033](#)

- Expands the definitions of "moist snuff" and "tobacco products" to include products containing nicotine, which subjects the products to the other tobacco products tax
- Estimated revenue over 4 years: \$132 million

Graduated capital gains tax of 9.9% in excess of \$1 million

- Estimated revenue over 4 years: \$561 million

Janitorial services a retail sale, retailing B&O and sales tax

- Estimate revenue over 4 years: \$158 million

Repeat prescription drug wholesaling tax preference - [SB 5794](#)

- Eliminates the preferential B&O tax rate of 0.138 percent for businesses warehousing and reselling prescription drugs for human and assigns them the regular wholesaling tax rate of 0.484 percent
- Estimate revenue over 4 years: \$156 million

Bank merger B&O – applies tax to credit unions who merge with commercial bank - [HB 1506](#)

- Removes business and occupation tax exemption for a state-chartered credit union that merges with or acquires a bank regulated by the Department of Financial Institutions
- DOR estimates that two credit unions will be subject to this tax in fiscal year 2026 and one additional credit union will become subject to this tax in each subsequent fiscal year.
- Estimate revenue over 4 years: \$34 million