

Alert | Real Estate



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Texas AG Issues Proposed Rules Implementing SB 17 Restrictions on Foreign Ownership of Texas Real Property

Texas Senate Bill (SB) 17, which took effect Sept. 1, 2025, added Subchapter H of Chapter 5 of the Texas Property Code. SB 17 restricts certain foreign persons and entities from purchasing or acquiring interests in Texas real property. The state enacted the statute to address national security concerns related to foreign ownership of Texas land.

On March 27, 2026, the Texas Office of the Attorney General (OAG) published proposed rules providing regulatory guidance on SB 17's implementation. The proposed rules are subject to a 30-day public comment period ending April 26, 2026. Because the OAG may revise the proposed rules before issuing a final version, the summary below reflects the proposed rules as published and should not be read as describing final regulatory requirements.

Broad Definition of 'Control'

The proposed rules define "control" to include the direct or indirect power over the management or policies of an entity, or over the acquisition or disposition of an interest in Texas real property by an entity. The proposed rules identify five categories of persons deemed to exercise control of an entity: (i) general partners; (ii) managing members; (iii) shareholders or stockholders holding 10% or more of

voting interests; (iv) executive officers; and (v) any person with the present or future right to acquire or dispose of an interest in Texas real property held by the entity.

This proposed definition would affect the scope of SB 17. Because SB 17's restrictions apply to foreign persons and entities that control, or are controlled by, covered foreign governments or nationals, an expansive definition of control may bring a broader range of persons and entities within its scope. The proposed 10% voting interest threshold may capture certain minority shareholders in real estate investment entities, which might in turn require enhanced diligence regarding investor participation in Texas real property transactions.

Anti-Circumvention Measures

Indirect Acquisitions

The proposed rules address efforts to circumvent SB 17, including through indirect acquisition structures. The proposed rules would expand the meaning of “purchasing or otherwise acquiring” an interest in Texas real property beyond direct property transfers to include any transaction, or series of transactions, through which a person or entity obtains “control” of an entity that owns an interest in Texas real property. This would include redemptions or repurchases of an entity's outstanding interests, regardless of whether the entity acquired the real property before Sept. 1, 2025.

Under the proposed framework, entity-level ownership changes may trigger SB 17, even when the underlying real property is not directly conveyed. Indirect investments, corporate restructurings, and changes in ownership of real estate holding entities may therefore fall within SB 17's scope.

Short-Term Lease Arrangements

The proposed rules also address arrangements structured to circumvent SB 17's one-year lease threshold. Specifically, a series of licenses, leases, or other arrangements that in substance create a leasehold interest of at least one year would be treated as a prohibited property interest under SB 17, even if structured as successive short-term agreements. For example, a lease with an initial term of less than one year, coupled with successive renewal options that are each less than one year, may be recharacterized as a prohibited interest if the cumulative arrangement is deemed to create a leasehold of one year or longer in substance.

If adopted, this provision would require landlords, tenants, and their advisors to evaluate temporary occupancy arrangements, renewal structures, and serial short-term agreements in transactions involving designated foreign persons or entities.

Reporting Obligations for Facilitating Entities

The proposed rules would impose reporting obligations on a defined class of “facilitating entities,” which includes any “person or entity that, in the regular course of business, assists with, brokers, insures, finances, values, or processes a purchase or acquisition of an interest in real property” in Texas. The proposed rules identify mortgage lenders, title insurance companies, property insurers, appraisers, and licensed real estate professionals as examples.

The proposed rules would require a facilitating entity that knows — or should have known, after reasonable due diligence — that a transaction violates SB 17 to submit a complaint to the OAG. This obligation would extend to post-closing transfers or assignments to affiliates, parents, subsidiaries, or commonly controlled entities when structured to effect or conceal a prohibited acquisition.

If adopted, this provision would create a compliance and monitoring role for professionals who have traditionally focused on transaction execution. Failure to report suspected violations may result in referral to the appropriate licensing or professional disciplinary authority.

Creation of an Attorney General Enforcement Unit

The proposed rules would implement a dedicated enforcement unit within the OAG responsible for receiving, reviewing, investigating, and enforcing compliance with SB 17. The proposed unit would be authorized to (i) accept written or electronic complaints alleging violations; (ii) issue guidance and respond to written inquiries regarding the applicability of the statute to specific transactions; (iii) coordinate with state agencies and political subdivisions affected by the implementation and enforcement of SB 17; and (iv) refer violations to the appropriate licensing or regulatory authorities. The proposed unit also contemplates interagency coordination with Texas' secretary of state, the Texas Real Estate Commission, the Texas Department of Insurance, and other relevant regulatory agencies.

Open Questions

The proposed rules leave interpretive issues unresolved. Such questions include (i) the application of SB 17 to trust arrangements or other beneficial ownership structures where legal title may be held by a trustee on behalf of beneficiaries; (ii) the treatment of non-judicial foreclosure transactions, in which a trustee conducts a foreclosure sale on behalf of a mortgage lender and conveys title to a purchaser; and (iii) the extent to which minority or otherwise passive investors in multi-tier ownership structures may be viewed as exercising "control" under the proposed framework.

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