

Publications

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Texas Tightens Real Property Ownership Rules for Foreign Nationals with SB 17

Key Takeaways

- Texas passed SB 17, which prohibits certain foreign nationals, including foreign governments, foreign-owned businesses and individuals from certain countries from purchasing or acquiring real property in Texas.
- As of the Bill's passage, the Designated Countries include **China, Iran, North Korea and Russia**¹. However, the Bill gives the Governor the power to expand the list to include other countries.
- Governor Greg Abbott signed the Bill on June 20, 2025, **and the Bill is set to become effective on September 1, 2025.**
- If a company or entity is found to be in violation, they will be held liable to the state for the greater of **\$250,000 or 50% of the market value of the interest in the property** in violation.

With a focus on national security and preserving the state's land and critical natural resources from certain foreign nations that have been identified as threats to the United States,² the Texas Senate introduced Bill C.S.S.B. 17, known as SB 17 or the Bill, in February 2025. The purpose of the Bill is to prohibit the purchase or acquisition of real property by certain governmental entities, companies and individuals who have ties with certain countries that have been identified by the United States as a country that poses a risk to our national security (Designated Country/Countries).³ As of the Bill's passage, the Designated Countries identified are **China, Iran, North Korea and Russia**⁴ and gives the Governor the power to expand the list to include other countries. Governor Greg Abbott signed the Bill on June 20, 2025, **and the Bill is set to become effective on September 1, 2025.**

Summary of SB 17

SB 17 makes significant changes to the state Property Code Subchapter H concerning the purchase or acquisition of real property by companies, governments or individuals domiciled in a country that has been identified as a Designated Country. The Bill applies to a broad range of real estate interests – including agricultural, commercial, industrial and residential property – and prohibits ownership by foreign entities or individuals linked to

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Designated Countries, as determined by federal intelligence assessments or the Governor in consultation with public safety and homeland security officials. While United States citizens and lawful residents are exempt, along with the companies they own or control, limited exceptions also apply to short-term leasehold interests. The Texas Attorney General (Texas AG) is authorized to investigate suspected violations, initiate legal actions and enforce significant civil penalties, creating a new framework of oversight and enforcement for foreign ownership in Texas real estate.

Analysis

Who is Prohibited from Owning Real Property in Texas?

Under SB 17, the entities and individuals that are prevented from purchasing or acquiring an interest in real property in Texas are any one of the following:⁵

1. A governmental entity of a Designated Country;
2. A company or organization that is:
 1. Headquartered in a Designated Country;
 2. Directly or indirectly held or controlled by the government of a Designated Country;
 3. Owned, or the majority of stock or other ownership interest of which is held or controlled, by individuals in Subdivision (4); or
 4. Designated by the Governor under Section 5.254.
3. An individual who:
 1. Is domiciled in or is citizen of a Designated Country, except that an individual who is lawfully present and residing in the United States at the time the individual purchases or acquires the interest may purchase or acquire an interest in a residential property that is intended for use as an individual's residence homestead, as defined by Section 11.13(j), Tax Code;
 2. Is a citizen of a Designated Country who is domiciled outside of the United States in a country:
 1. Other than a Designated Country; and
 2. For which the individual has not completed the naturalization process for becoming a citizen of that country;
 3. Is a citizen of a Designated Country who is unlawfully present in the United States;
 4. Is:
 1. A citizen of a country other than the United States; and
 2. Acting as an agent or on behalf of a Designated Country; or
 5. Is a member of the ruling political party or any subdivision of the ruling political party in a Designated Country.

How Are Designated Countries Identified?

There are two ways for a country to earn this designation under the Bill.⁶ A country primarily earns this designation if they have been identified by the United States Director of National Intelligence as a country that poses a risk to the national security of the United States. The country must be identified as a threat in at least one of the three most recent Annual Threat Assessments of the United States Intelligence Community.⁷

Second, in accordance with Section 5.254, the Governor also has the power to designate countries or entities as subject to the property prohibitions. The Governor must consult with the public safety director of the Department of Public Safety for purposes of determining whether an individual or entity poses a risk to the security of the public. In order to make or remove a designation under Section 5.254, the Governor must also

consult with the Homeland Security Council. “Transactional Criminal Organizations” may also be added to the list of prohibited purchasers.

What Kind of Property is Prohibited?

According to the Bill, “Real Property” is defined to include agricultural land, an improvement located on agricultural land, commercial property, industrial property, groundwater, residential property, a mine or quarry, a mineral in place, standing timber or water rights. With a particular focus on agricultural land, the Bill defines such as land located in Texas that is suitable for the production of plants and fruits for consumption, fiber production and for keeping farm or ranch animals for use or profit.⁸

What Exceptions for the Bill Exist?⁹

Section 5.252 of the Bill contains a list of exceptions. The prohibitions listed in the Bill do not apply to United States citizens and lawful residents. Companies and organizations that are owned or controlled by United States citizens are also exempt from the prohibitions. Additionally, leasehold interests in land or improvements constructed on a leasehold are exempt from any prohibition under the Bill so long as the duration of the interest is less than one year. Finally, there is a special exception for a residence homestead owned by those who seek a home in the state who have fled these Designated Countries.

Enforcement and Penalties

The Texas AG is tasked with establishing procedures to determine whether any purchase of an interest in real property violates Subchapter H and warrants an investigation. If the Texas AG determines that such a transaction warrants an investigation, one will be undertaken to determine whether a violation has occurred. If the Texas AG determines that there has been a violation of the law, he may bring an in-rem action against the real property at question to enforce Subchapter H. Additionally, the Texas AG may refer the matter to the appropriate local, state or federal law enforcement agency for further action.

If a court determines that a company or entity has violated this subchapter, the company or entity will be liable to the state for the greater of \$250,000 or 50% of the market value of the interest in real property that is the subject of the violation.¹⁰

Federal Action Relating to Foreign Ownership of United States Land¹¹

In July of 2025, the U.S. Department of Agriculture (USDA) set forth a plan similar to Texas SB 17. The “National Farm Security Action Plan” (Action Plan) is aimed at protecting American agricultural land and contains restrictions on foreign nations from purchasing United States agricultural land. The Action Plan is built on concerns for national security. There will be efforts by the federal government, working with the individual states, to pass more laws concerning the purchase of land near United States military bases. With the Action Plan still in its preliminary stages, more developments are certainly to arise.

Potential Impacts and Associated Risks of SB 17

1. **Impact on Real Estate Market:** The restrictions are intended to and will have a deterrent effect on foreign investment from Designated Countries in Texas real estate, but will likely function as a broader deterrent on foreign investment from non-Designated Countries as well, potentially affecting property values and market dynamics. This is likely to lead to a reduced demand from foreign buyers, impacting sellers and developers who rely on international investors. However, these outcomes

are justified by the State of Texas based upon national security concerns.

2. **Economic and Diplomatic Relations:** The Bill could strain Texas's economic and diplomatic relations with the affected countries, particularly if perceived as discriminatory or protectionist.
3. **Legal, Enforcement and Compliance Challenges:** Entities and individuals may face increased compliance costs to ensure adherence to the new regulations. The effectiveness of enforcement will depend on the resources and capabilities of the Attorney General's office and local law enforcement. There may be challenges in identifying and proving violations, especially with complex corporate structures.

Conclusion

In conclusion, SB 17 serves as a critical legislative measure aimed at safeguarding the state's land and resources from potential foreign threats. The Bill specifically prohibits certain foreign entities and individuals from purchasing real property within Texas, thereby ensuring that state assets remain under domestic control. The entities affected by this legislation include foreign governments, foreign-owned businesses and individuals from countries identified as posing a risk to national security. The types of property involved encompass both agricultural and non-agricultural lands, reflecting a comprehensive approach to protecting various forms of real estate.

For questions related to SB 17 and its impact on the real estate market in Texas, connect with a member of our Real Estate practice.

[1] <https://www.texastribune.org/2025/05/08/texas-foreign-land-purchase-senate-bill-17/#:~:text=Members%20granted%20the%20governor%20such,Iran%2C%20North%20Korea%20and%20Russia.>

[2] SB 17, Sec. 1(a).

[3] SB 17, Sec. 5.251(3) "Designated Country" refers to (A) a country identified by the United States Director of National Intelligence as a country that poses a risk to the national security of the United States in at least one of the three most recent Annual Threat Assessments of the U.S. Intelligence Community issued pursuant to Section 108B, National Security Act of 1947 (50 U.S.C. Section 3043b); or (B) a country designed by the Governor under Section 5.254.

[4] <https://www.texastribune.org/2025/05/08/texas-foreign-land-purchase-senate-bill-17/#:~:text=Members%20granted%20the%20governor%20such,Iran%2C%20North%20Korea%20and%20Russia.>

[5] SB 17, Sec. 5.253.

[6] SB 17, Sec. 5.254.

[7] The Annual Threat Assessment is issued pursuant to Section 108B of the National Security Act of 1947 (50 U.S.C. Section 3043b).

[8] SB 17, Sec. 5.251(1).

[9] SB 17, Sec. 5.252.

[10] SB 17, Sec. 5.259(b)(1), (2).

[11] <https://www.tradecomplianceresourcehub.com/2025/07/09/u-s-moves-to-ban-foreign->

adversary-purchases-or-control-of-farmland-and-launches-national-farm-security-action-plan/