

Union Calendar No. 275

116TH CONGRESS
1ST SESSION

H. R. 5377

[Report No. 116-345]

To amend the Internal Revenue Code of 1986 to modify the limitation on deduction of State and local taxes, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 10, 2019

Mr. SUOZZI (for himself, Mr. THOMPSON of California, Mr. PASCRELL, Mr. KING of New York, Mr. BEYER, Mr. BRENDAN F. BOYLE of Pennsylvania, Ms. JUDY CHU of California, Mr. DANNY K. DAVIS of Illinois, Mr. HIGGINS of New York, Mr. LARSON of Connecticut, Mr. PANETTA, Ms. SÁNCHEZ, Mr. SCHNEIDER, Mr. CASTEN of Illinois, Mr. CISNEROS, Mr. CORREA, Ms. CRAIG, Mr. ENGEL, Ms. ESHOO, Mr. KIM, Mr. LEVIN of California, Mrs. LOWEY, Mr. MALINOWSKI, Mr. MEEKS, Ms. MENG, Mr. MORELLE, Mr. NADLER, Mr. PHILLIPS, Ms. PORTER, Mr. RASKIN, Miss RICE of New York, Mr. ROSE of New York, Ms. SHERRILL, Mr. SIRES, Mr. TRONE, Ms. UNDERWOOD, Mrs. WATSON COLEMAN, Mr. COURTNEY, Mr. ESPAILLAT, and Mr. HARDER of California) introduced the following bill; which was referred to the Committee on Ways and Means

DECEMBER 13, 2019

Additional sponsors: Mr. SEAN PATRICK MALONEY of New York, Mr. KRISHNAMOORTHY, Mr. HUFFMAN, Mr. GONZALEZ of Texas, Mr. GOMEZ, Ms. WEXTON, Ms. NORTON, Ms. DELAURO, Mr. TED LIEU of California, Mr. BROWN of Maryland, Mr. PALLONE, Mrs. DAVIS of California, and Ms. SPEIER

DECEMBER 13, 2019

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on December 10, 2019]

A BILL

To amend the Internal Revenue Code of 1986 to modify the limitation on deduction of State and local taxes, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “Restoring Tax Fairness*
5 *for States and Localities Act”.*

6 **SEC. 2. ELIMINATION FOR 2019 OF MARRIAGE PENALTY IN**
7 **LIMITATION ON DEDUCTION OF STATE AND**
8 **LOCAL TAXES.**

9 *(a) IN GENERAL.—Section 164(b) of the Internal Rev-*
10 *enue Code of 1986 is amended by adding at the end the*
11 *following new paragraph:*

12 *“(7) SPECIAL RULE FOR LIMITATION ON INDI-*
13 *VIDUAL DEDUCTIONS FOR 2019.—In the case of a tax-*
14 *able year beginning after December 31, 2018, and be-*
15 *fore January 1, 2020, paragraph (6) shall be applied*
16 *by substituting ‘(\$20,000 in the case of a joint re-*
17 *turn)’ for ‘(\$5,000 in the case of a married individual*
18 *filing a separate return)’.”.*

19 *(b) EFFECTIVE DATE.—The amendment made by this*
20 *section shall apply to taxable years beginning after Decem-*
21 *ber 31, 2018.*

22 **SEC. 3. ELIMINATION FOR 2020 AND 2021 OF LIMITATION ON**
23 **DEDUCTION OF STATE AND LOCAL TAXES.**

24 *(a) IN GENERAL.—Section 164(b)(6)(B) of the Inter-*
25 *nal Revenue Code of 1986 is amended by inserting “in the*

1 *case of a taxable year beginning before January 1, 2020,*
2 *or after December 31, 2021,” before “the aggregate amount*
3 *of taxes”.*

4 *(b) CONFORMING AMENDMENTS.—Section 164(b)(6) of*
5 *the Internal Revenue Code of 1986 is amended—*

6 *(1) by striking “For purposes of subparagraph*
7 *(B)” and inserting “For purposes of this section”,*

8 *(2) by striking “January 1, 2018” and inserting*
9 *“January 1, 2022”,*

10 *(3) by striking “December 31, 2017, shall” and*
11 *inserting “December 31, 2021, shall”, and*

12 *(4) by adding at the end the following: “For pur-*
13 *poses of this section, in the case of State or local taxes*
14 *with respect to any real or personal property paid*
15 *during a taxable year beginning in 2020 or 2021, the*
16 *Secretary shall prescribe rules which treat all or a*
17 *portion of such taxes as paid in a taxable year or*
18 *years other than the taxable year in which actually*
19 *paid as necessary or appropriate to prevent the*
20 *avoidance of the limitations of this subsection.”.*

21 *(c) EFFECTIVE DATE.—The amendments made by this*
22 *section shall apply to taxes paid or accrued in taxable years*
23 *beginning after December 31, 2019.*

1 **SEC. 4. INCREASE IN DEDUCTION FOR CERTAIN EXPENSES**
2 **OF ELEMENTARY AND SECONDARY SCHOOL**
3 **TEACHERS.**

4 (a) *INCREASE.*—Section 62(a)(2)(D) of the Internal
5 Revenue Code of 1986 is amended by striking “\$250” and
6 inserting “\$500”.

7 (b) *CONFORMING AMENDMENTS.*—Section 62(d)(3) of
8 the Internal Revenue Code of 1986 is amended—

9 (1) by striking “2015” and inserting “2019”,

10 (2) by striking “\$250” and inserting “\$500”,

11 and

12 (3) in subparagraph (B), by striking “2014” and
13 inserting “2018”.

14 (c) *EFFECTIVE DATE.*—The amendments made by this
15 section shall apply to taxable years beginning after Decem-
16 ber 31, 2018.

17 **SEC. 5. ABOVE-THE-LINE DEDUCTION ALLOWED FOR CER-**
18 **TAIN EXPENSES OF FIRST RESPONDERS.**

19 (a) *IN GENERAL.*—Section 62(a)(2) of the Internal
20 Revenue Code of 1986 is amended by adding at the end
21 the following new subparagraph:

22 “(F) *CERTAIN EXPENSES OF FIRST RE-*
23 *SPONDERS.*—The deductions allowed by section
24 162 which consist of expenses, not in excess of
25 \$500, paid or incurred by a first responder—

1 “(i) as tuition or fees for the participa-
2 tion of the first responder in professional
3 development courses related to service as a
4 first responder, or

5 “(ii) for uniforms used by the first re-
6 sponder in service as a first responder.”.

7 (b) *FIRST RESPONDER DEFINED.*—Section 62(d) of
8 the Internal Revenue Code of 1986 is amended by adding
9 at the end the following new paragraph:

10 “(4) *FIRST RESPONDER.*—For purposes of sub-
11 section (a)(2)(F), the term ‘first responder’ means,
12 with respect to any taxable year, any individual who
13 is employed as a law enforcement officer, firefighter,
14 paramedic, or emergency medical technician for at
15 least 1000 hours during such taxable year.”.

16 (c) *INFLATION ADJUSTMENT.*—Section 62(d)(3) of the
17 Internal Revenue Code of 1986, as amended by section 4,
18 is further amended by striking “the \$500 amount in sub-
19 section (a)(2)(D)” and inserting “the \$500 amount in each
20 of subparagraphs (D) and (F) of subsection (a)(2)”.

21 (d) *EFFECTIVE DATE.*—The amendments made by this
22 section shall apply to taxable years beginning after Decem-
23 ber 31, 2019.

1 **SEC. 6. INCREASE OF TOP MARGINAL INDIVIDUAL INCOME**
2 **TAX RATE UNDER TEMPORARY RULES.**

3 (a) *IN GENERAL.*—The tables contained in subpara-
4 graphs (A), (B), (C), (D), and (E) of section 1(j)(2) of the
5 Internal Revenue Code of 1986 are each amended by strik-
6 ing “37%” and inserting “39.6%” and—

7 (1) *in subparagraph (A)*—

8 (A) *by striking “\$600,000” each place such*
9 *term appears and inserting “\$479,000”, and*

10 (B) *by striking “\$161,379” and inserting*
11 *“\$119,029”,*

12 (2) *in subparagraph (B)*—

13 (A) *by striking “\$500,000” each place such*
14 *term appears and inserting “\$452,400”, and*

15 (B) *by striking “\$149,298” and inserting*
16 *“\$132,638”,*

17 (3) *in subparagraph (C)*—

18 (A) *by striking “\$500,000” each place such*
19 *term appears and inserting “\$425,800”, and*

20 (B) *by striking “\$150,689.50” and inserting*
21 *“\$124,719.50”, and*

22 (4) *in subparagraph (D)*—

23 (A) *by striking “\$300,000” each place such*
24 *term appears and inserting “\$239,500”, and*

25 (B) *by striking “\$80,689.50” and inserting*
26 *“\$59,514.50”.*

1 **(b) CONFORMING AMENDMENTS.—**

2 (1) *Section 1(j)(4)(B)(iii) of the Internal Rev-*
3 *enue Code of 1986 is amended—*

4 (A) *in the matter preceding subclause (I),*
5 *by striking “37 percent” and inserting “39.6*
6 *percent”,*

7 (B) *in subclause (II), by striking “37-per-*
8 *cent bracket” and inserting “39.6-percent brack-*
9 *et”, and*

10 (C) *in the heading, by striking “37-PER-*
11 *CENT BRACKET” and inserting “39.6-PERCENT*
12 *BRACKET”.*

13 (2) *Section 1(j)(4)(C) of such Code is amended—*

14 (A) *in clause (i)(II), by striking “para-*
15 *graph (5)(B)(i)(IV)” and inserting “paragraph*
16 *(5)(B)(iv)”,* and

17 (B) *by amending clause (i) to read as fol-*
18 *lows:*

19 *“(i) the amount which would (without*
20 *regard to this paragraph) be taxed at a rate*
21 *below 39.6 percent shall not be more than*
22 *the sum of—*

23 *“(I) the earned taxable income of*
24 *such child, plus*

1 “(II) the maximum dollar amount
2 for the 35-percent rate bracket for es-
3 tates and trusts.”.

4 (3) The heading of section 1(j)(5) of such Code
5 is amended to read as follows: “APPLICATION OF
6 ZERO PERCENT CAPITAL GAIN RATE BRACKETS”.

7 (4) Subparagraphs (A) and (B) of section 1(j)(5)
8 of such Code are amended to read as follows:

9 “(A) IN GENERAL.—Subsection (h)(1)(B)(i)
10 shall be applied by substituting ‘below the max-
11 imum zero rate amount’ for ‘which would (with-
12 out regard to this paragraph) be taxed at a rate
13 below 25 percent’.

14 “(B) MAXIMUM ZERO RATE AMOUNT DE-
15 FINED.—For purposes of subparagraph (A), the
16 term ‘maximum zero rate amount’ means—

17 “(i) in the case of a joint return or
18 surviving spouse, \$77,200,

19 “(ii) in the case of an individual who
20 is a head of household (as defined in section
21 2(b)), \$51,700,

22 “(iii) in the case of any other indi-
23 vidual (other than an estate or trust), an
24 amount equal to $\frac{1}{2}$ of the amount in effect
25 for the taxable year under clause (i), and

1 “(iv) in the case of an estate or trust,
2 \$2,600.”.

3 (5) Section 1(j)(5)(C) of such Code is amended
4 by striking “clauses (i) and (ii) of”.

5 (c) *EFFECTIVE DATE.*—The amendments made by this
6 section shall apply to taxable years beginning after Decem-
7 ber 31, 2019.

8 (d) *SECTION 15 NOT TO APPLY.*—Section 15 of the In-
9 ternal Revenue Code of 1986 shall not apply to any change
10 in a rate of tax by reason of any amendment made by this
11 section.

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