

116TH CONGRESS
2D SESSION

S. 3178

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 SENATE OF THE UNITED STATES

JANUARY 9, 2020

Mr. SCHUMER (for himself, Mr. WYDEN, and Mr. MENENDEZ) introduced the following bill; which was read twice and referred to the Committee on Finance

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 Fair-
5 ness for States and Localities Act”.

1 **SEC. 2. ELIMINATION FOR 2019 OF MARRIAGE PENALTY IN**
 2 **LIMITATION ON DEDUCTION OF STATE AND**
 3 **LOCAL TAXES.**

4 (a) IN GENERAL.—Section 164(b) of the Internal
 5 Revenue Code of 1986 is amended by adding at the end
 6 the following new paragraph:

7 “(7) SPECIAL RULE FOR LIMITATION ON INDI-
 8 VIDUAL DEDUCTIONS FOR 2019.—In the case of a
 9 taxable year beginning after December 31, 2018,
 10 and before January 1, 2020, if the adjusted gross
 11 income of the taxpayer for such taxable year does
 12 not exceed \$100,000,000, paragraph (6) shall be ap-
 13 plied by substituting ‘(\$20,000 in the case of a joint
 14 return)’ for ‘(\$5,000 in the case of a married indi-
 15 vidual filing a separate return)’.”.

16 (b) EFFECTIVE DATE.—The amendment made by
 17 this section shall apply to taxable years beginning after
 18 December 31, 2018.

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

21 (a) IN GENERAL.—Section 164(b) of the Internal
 22 Revenue Code of 1986, as amended by section 2, is further
 23 amended by adding at the end the following new para-
 24 graph:

25 “(8) SUSPENSION OF DOLLAR LIMITATION ON
 26 STATE AND LOCAL TAXES FOR 2020 AND 2021.—

1 “(A) IN GENERAL.—In the case of any
2 taxable year beginning in 2020 or 2021, sub-
3 paragraph (B) of paragraph (6) shall not apply.

4 “(B) EXCEPTION FOR CERTAIN HIGH-IN-
5 COME TAXPAYERS.—Subparagraph (A) shall
6 not apply to any taxpayer for any taxable year
7 if the adjusted gross income of such taxpayer
8 for such taxable year exceeds \$100,000,000.”.

9 (b) CONFORMING AMENDMENTS.—Section 164(b)(6)
10 of the Internal Revenue Code of 1986 is amended—

11 (1) by striking “For purposes of subparagraph
12 (B)” and inserting “For purposes of this section”;

13 (2) by striking “January 1, 2018” and insert-
14 ing “January 1, 2022”;

15 (3) by striking “December 31, 2017, shall” and
16 inserting “December 31, 2021, shall”; and

17 (4) by adding at the end the following: “For
18 purposes of this section, in the case of State or local
19 taxes with respect to any real or personal property
20 paid during a taxable year beginning in 2020 or
21 2021, the Secretary shall prescribe rules which treat
22 all or a portion of such taxes as paid in a taxable
23 year or years other than the taxable year in which
24 actually paid as necessary or appropriate to prevent
25 the avoidance of the limitations of this subsection.”.

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

4 **SEC. 4. INCREASE IN DEDUCTION FOR CERTAIN EXPENSES**
5 **OF ELEMENTARY AND SECONDARY SCHOOL**
6 **TEACHERS.**

7 (a) INCREASE.—Section 62(a)(2)(D) of the Internal
8 Revenue Code of 1986 is amended by striking “\$250” and
9 inserting “\$1,000”.

10 (b) CONFORMING AMENDMENTS.—Section 62(d)(3)
11 of the Internal Revenue Code of 1986 is amended—

12 (1) by striking “2015” and inserting “2019”;

13 (2) by striking “\$250” and inserting “\$1,000”;

14 and

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

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2018.

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

22 (a) IN GENERAL.—Section 62(a)(2) of the Internal
23 Revenue Code of 1986 is amended by adding at the end
24 the following new subparagraph:

1 “(F) CERTAIN EXPENSES OF FIRST RE-
2 SPONDERS.—The deductions allowed by section
3 162 which consist of expenses, not in excess of
4 \$1,000, paid or incurred by a first responder—

5 “(i) as tuition or fees for the partici-
6 pation of the first responder in profes-
7 sional development courses related to serv-
8 ice as a first responder; or

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

11 (b) FIRST RESPONDER DEFINED.—Section 62(d) of
12 the Internal Revenue Code of 1986 is amended by adding
13 at the end the following new paragraph:

14 “(4) FIRST RESPONDER.—For purposes of sub-
15 section (a)(2)(F), the term ‘first responder’ means,
16 with respect to any taxable year, any individual who
17 is employed as a law enforcement officer, firefighter,
18 paramedic, or emergency medical technician for at
19 least 1,000 hours during such taxable year.”.

20 (c) INFLATION ADJUSTMENT.—Section 62(d)(3) of
21 the Internal Revenue Code of 1986, as amended by section
22 4, is further amended by striking “the \$1,000 amount in
23 subsection (a)(2)(D)” and inserting “the \$1,000 amount
24 in each of subparagraphs (D) and (F) of subsection
25 (a)(2)”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2019.

4 **SEC. 6. INCREASE OF TOP MARGINAL INDIVIDUAL INCOME**
5 **TAX RATE UNDER TEMPORARY RULES.**

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

10 (1) in subparagraph (A)—

11 (A) by striking “\$600,000” each place
12 such term appears and inserting “\$479,000”;
13 and

14 (B) by striking “\$161,379” and inserting
15 “\$119,029”;

16 (2) in subparagraph (B)—

17 (A) by striking “\$500,000” each place
18 such term appears and inserting “\$452,400”;
19 and

20 (B) by striking “\$149,298” and inserting
21 “\$132,638”;

22 (3) in subparagraph (C)—

23 (A) by striking “\$500,000” each place
24 such term appears and inserting “\$425,800”;
25 and

1 (B) by striking “\$150,689.50” and insert-
2 ing “\$124,719.50”; and

3 (4) in subparagraph (D)—

4 (A) by striking “\$300,000” each place
5 such term appears and inserting “\$239,500”;
6 and

7 (B) by striking “\$80,689.50” and insert-
8 ing “\$59,514.50”.

9 (b) CONFORMING AMENDMENTS.—

10 (1) Section 1(j)(4)(B)(iii) of the Internal Rev-
11 enue Code of 1986 is amended—

12 (A) in the matter preceding subclause (I),
13 by striking “37 percent” and inserting “39.6
14 percent”;

15 (B) in subclause (II), by striking “37-per-
16 cent bracket” and inserting “39.6-percent
17 bracket”; and

18 (C) in the heading, by striking “37-PER-
19 CENT BRACKET” and inserting “39.6-PERCENT
20 BRACKET”.

21 (2) Section 1(j)(4)(C) of such Code is amend-
22 ed—

23 (A) in clause (i)(II), by striking “para-
24 graph (5)(B)(i)(IV)” and inserting “paragraph
25 (5)(B)(iv)”; and

1 (B) by amending clause (ii) to read as fol-
2 lows:

3 “(ii) the amount which would (without
4 regard to this paragraph) be taxed at a
5 rate below 39.6 percent shall not be more
6 than the sum of—

7 “(I) the earned taxable income of
8 such child, plus

9 “(II) the maximum dollar
10 amount for the 35-percent rate brack-
11 et for estates and trusts.”.

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

15 (4) Subparagraphs (A) and (B) of section
16 1(j)(5) of such Code are amended to read as follows:

17 “(A) IN GENERAL.—Subsection
18 (h)(1)(B)(i) shall be applied by substituting
19 ‘below the maximum zero rate amount’ for
20 ‘which would (without regard to this paragraph)
21 be taxed at a rate below 25 percent’.

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

1 “(i) in the case of a joint return or
2 surviving spouse, \$77,200;

3 “(ii) in the case of an individual who
4 is a head of household (as defined in sec-
5 tion 2(b)), \$51,700;

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

10 “(iv) in the case of an estate or trust,
11 \$2,600.”.

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

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2019.

17 (d) SECTION 15 NOT TO APPLY.—Section 15 of the
18 Internal Revenue Code of 1986 shall not apply to any
19 change in a rate of tax by reason of any amendment made
20 by this section.

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