

119TH CONGRESS
2^D SESSION

H. R. 7561

To amend the Internal Revenue Code of 1986 to modify the limitation on individual deductions for certain state and local taxes and to allow a deduction for qualified special assessment taxes, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 12, 2026

Ms. STEVENS (for herself, Mrs. DINGELL, Ms. SCHOLTEN, and Ms. McDONALD RIVET) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to modify the limitation on individual deductions for certain state and local taxes and to allow a deduction for qualified special assessment 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 “Local Infrastructure
5 Tax Cuts Act”.

1 **SEC. 2. MODIFICATION OF LIMITATION ON INDIVIDUAL DE-**
2 **DUCTIONS FOR CERTAIN STATE AND LOCAL**
3 **TAXES.**

4 (a) **IN GENERAL.**—Section 164(b)(7) of the Internal
5 Revenue Code of 1986 is amended to read as follows:

6 “(7) **APPLICABLE LIMITATION AMOUNT.**—

7 “(A) **IN GENERAL.**—For purposes of this
8 subsection, the term ‘applicable limitation
9 amount’ means—

10 “(i) \$0 in the case of any taxpayer
11 whose modified adjusted gross income ex-
12 ceeds the threshold amount,

13 “(ii) \$5,000 in the case of a married
14 individual filing a separate return, and

15 “(iii) \$10,000 in the case of any tax-
16 payer not described in clause (i) or (ii).

17 “(B) **THRESHOLD AMOUNT.**—For purposes
18 of this paragraph, the threshold amount shall
19 be—

20 “(i) in the case of a joint return,
21 \$215,000,

22 “(ii) in the case of a head of house-
23 hold (as defined in section 2(b)),
24 \$161,250, and

25 “(iii) in the case of any taxpayer not
26 described in clause (i) or (ii), \$107,500.

1 “(C) MODIFIED ADJUSTED GROSS IN-
2 COME.—For purposes of this paragraph, the
3 term ‘modified adjusted gross income’ means
4 the adjusted gross income of the taxpayer for
5 the taxable year increased by any amount ex-
6 cluded from gross income under section 911,
7 931, or 933.

8 “(D) INFLATION ADJUSTMENT.—In the
9 case of any taxable year beginning after 2027,
10 each of the dollar amounts in subparagraphs
11 (A) and (B) shall be increased by an amount
12 equal to—

13 “(i) such dollar amount, multiplied by

14 “(ii) the cost-of-living adjustment de-
15 termined under section 1(f)(3) for the cal-
16 endar year in which the taxable year be-
17 gins, determined by substituting ‘calendar
18 year 2026’ for ‘calendar year 2016’ in sub-
19 paragraph (A)(ii) thereof.

20 If any amount as increased under the preceding
21 sentence is not a multiple of \$50, such amount
22 shall be rounded to the nearest multiple of
23 \$50.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2026.

4 **SEC. 3. DEDUCTION ALLOWED FOR QUALIFIED SPECIAL AS-**
5 **SESSMENT TAXES.**

6 (a) IN GENERAL.—Section 164(a) of the Internal
7 Revenue Code of 1986 is amended by inserting after para-
8 graph (4) the following new paragraph:

9 “(5) Qualified special assessment taxes.”.

10 (b) QUALIFIED SPECIAL ASSESSMENT TAXES.—Sec-
11 tion 164(b) of such Code is amended—

12 (1) by redesignating paragraphs (6) and (7) as
13 paragraphs (7) and (8), respectively, and

14 (2) by inserting after paragraph (5) the fol-
15 lowing new paragraph:

16 “(6) QUALIFIED SPECIAL ASSESSMENT
17 TAXES.—

18 “(A) IN GENERAL.—The term ‘qualified
19 special assessment tax’ means a tax which is
20 imposed—

21 “(i) by a State, a possession of the
22 United States, or a political subdivision of
23 any of the foregoing, or by the District of
24 Columbia,

1 “(ii) on real property located within a
2 geographic area designated as a special as-
3 sessment district by such State, possession,
4 or political subdivision, or by the District
5 of Columbia, and

6 “(iii) for the purpose of funding a
7 community infrastructure project that
8 would directly benefit such real property.

9 “(B) COMMUNITY INFRASTRUCTURE.—

10 “(i) IN GENERAL.—For purposes of
11 subparagraph (A), the term ‘community
12 infrastructure’ means a project or facility
13 described in clause (ii) that is owned by—

14 “(I) a State, a possession of the
15 United States, or a political subdivi-
16 sion of any of the foregoing,

17 “(II) the District of Columbia, or

18 “(III) a not-for-profit, member-
19 owned utility service.

20 “(ii) PROJECT DESCRIBED.—A project
21 or facility described in this clause is any of
22 the following:

23 “(I) Any transportation project.

1 “(II) A school, hospital, police,
2 fire, emergency response, or other
3 community support facility.

4 “(III) A water, waste-water,
5 stormwater, telecommunications, elec-
6 tric, gas, or other utility infrastruc-
7 ture project.

8 “(IV) A dam restoration project.

9 “(C) DEDUCTION LIMITED TO TAXES PAID
10 OR ACCRUED WITH RESPECT TO PRINCIPAL
11 RESIDENCES.—The deduction under subsection
12 (a) for qualified special assessment taxes may
13 only be allowed if such taxes are paid or ac-
14 crued with respect to the taxpayer’s principal
15 residence (within the meaning of section 121).”.

16 (c) APPLICATION OF LIMITATION ON AMOUNT OF
17 DEDUCTION.—Section 164(b)(7)(B) of such Code, as re-
18 designated by subsection (b), is amended by striking “and
19 (3)” and inserting “(3), and (5)”.

20 (d) CONFORMING AMENDMENT.—Section 164(c)(1)
21 of such Code is amended by striking “Taxes” and insert-
22 ing “Except as provided in subsection (a)(5), taxes”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2026.

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