

# Union Calendar No.

116TH CONGRESS  
1ST SESSION

# H. R. 5377

[Report No. 116-]

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

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## 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 --, 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.