

AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. _____
OFFERED BY MR. NEAL OF MASSACHUSETTS

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “Restoring Tax Fair-
3 ness for States and Localities Act”.

4 SEC. 2. ELIMINATION FOR 2019 OF MARRIAGE PENALTY IN
5 LIMITATION ON DEDUCTION OF STATE AND
6 LOCAL TAXES.

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

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

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

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

6 (a) IN GENERAL.—Section 164(b)(6)(B) of the Inter-
7 nal Revenue Code of 1986 is amended by inserting “in
8 the case of a taxable year beginning before January 1,
9 2020, or after December 31, 2021,” before “the aggregate
10 amount of taxes”.

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

13 (1) by striking “For purposes of subparagraph
14 (B)” and inserting “For purposes of this section”,

15 (2) by striking “January 1, 2018” and insert-
16 ing “January 1, 2022”,

17 (3) by striking “December 31, 2017, shall” and
18 inserting “December 31, 2021, shall”, and

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

1 actually paid as necessary or appropriate to prevent
2 the avoidance of the limitations of this subsection.”.

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

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

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

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

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

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

16 and

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

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

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

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

6 “(F) CERTAIN EXPENSES OF FIRST RE-
7 SPONDERS.—The deductions allowed by section
8 162 which consist of expenses, not in excess of
9 \$500, paid or incurred by a first responder—

10 “(i) as tuition or fees for the partici-
11 pation of the first responder in profes-
12 sional development courses related to serv-
13 ice as a first responder, or

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

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

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

25 (c) INFLATION ADJUSTMENT.—Section 62(d)(3) of
26 the Internal Revenue Code of 1986, as amended by section

1 4, is further amended by striking “the \$500 amount in
2 subsection (a)(2)(D)” and inserting “the \$500 amount in
3 each of subparagraphs (D) and (F) of subsection (a)(2)”.

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

7 **SEC. 6. INCREASE OF TOP MARGINAL INDIVIDUAL INCOME**
8 **TAX RATE UNDER TEMPORARY RULES.**

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

13 (1) in subparagraph (A)—

14 (A) by striking “\$600,000” each place
15 such term appears and inserting “\$479,000”,
16 and

17 (B) by striking “\$161,379” and inserting
18 “\$119,029”,

19 (2) in subparagraph (B)—

20 (A) by striking “\$500,000” each place
21 such term appears and inserting “\$452,400”,
22 and

23 (B) by striking “\$149,298” and inserting
24 “\$132,638”,

25 (3) in subparagraph (C)—

1 (A) by striking “\$500,000” each place
2 such term appears and inserting “\$425,800”,
3 and

4 (B) by striking “\$150,689.50” and insert-
5 ing “\$124,719.50”, and

6 (4) in subparagraph (D)—

7 (A) by striking “\$300,000” each place
8 such term appears and inserting “\$239,500”,
9 and

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

12 (b) CONFORMING AMENDMENTS.—

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

15 (A) in the matter preceding subclause (I),
16 by striking “37 percent” and inserting “39.6
17 percent”,

18 (B) in subclause (II), by striking “37-per-
19 cent bracket” and inserting “39.6-percent
20 bracket”, and

21 (C) in the heading, by striking “37-PER-
22 CENT BRACKET” and inserting “39.6-PERCENT
23 BRACKET”.

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

1 (A) in clause (i)(II), by striking “para-
2 graph (5)(B)(i)(IV)” and inserting “paragraph
3 (5)(B)(iv)”, and

4 (B) by amending clause (ii) to read as fol-
5 lows:

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

10 “(I) the earned taxable income of
11 such child, plus

12 “(II) the maximum dollar
13 amount for the 35-percent rate brack-
14 et for estates and trusts.”.

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

18 (4) Subparagraphs (A) and (B) of section
19 1(j)(5) of such Code are amended to read as follows:

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

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

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

6 “(ii) in the case of an individual who
7 is a head of household (as defined in sec-
8 tion 2(b)), \$51,700,

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

13 “(iv) in the case of an estate or trust,
14 \$2,600.”.

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

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

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

