

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.

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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

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

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

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

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

24 “(8) SUSPENSION OF DOLLAR LIMITATION ON  
 25 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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