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:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Restoring Tax Fairness for States and Localities Act”.

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

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

“(7) SPECIAL RULE FOR LIMITATION ON INDIVIDUAL DEDUCTIONS FOR 2019.—In the case of a taxable year beginning after December 31, 2018, and before January 1, 2020, paragraph (6) shall be applied by substituting ‘($20,000 in the case of a joint return)’ for ‘($5,000 in the case of a married individual filing a separate return)’.”.
(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2018.

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

(a) In General.—Section 164(b)(6)(B) of the Internal Revenue Code of 1986 is amended by inserting “in the case of a taxable year beginning before January 1, 2020, or after December 31, 2021,” before “the aggregate amount of taxes”.

(b) Conforming Amendments.—Section 164(b)(6) of the Internal Revenue Code of 1986 is amended—

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

(2) by striking “January 1, 2018” and inserting “January 1, 2022”,

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

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

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

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

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

(b) CONFORMING AMENDMENTS.—Section 62(d)(3)
of the Internal Revenue Code of 1986 is amended—
(1) by striking “2015” and inserting “2019”,
(2) by striking “$250” and inserting “$500”,
and
(3) in subparagraph (B), by striking “2014”
and inserting “2018”.

(c) EFFECTIVE DATE.—The amendments made by
this section shall apply to taxable years beginning after
December 31, 2018.
SEC. 5. ABOVE-THE-LINE DEDUCTION ALLOWED FOR CERTAIN EXPENSES OF FIRST RESPONDERS.

(a) In General.—Section 62(a)(2) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(F) CERTAIN EXPENSES OF FIRST RESPONDERS.—The deductions allowed by section 162 which consist of expenses, not in excess of $500, paid or incurred by a first responder—

“(i) as tuition or fees for the participation of the first responder in professional development courses related to service as a first responder, or

“(ii) for uniforms used by the first responder in service as a first responder.”.

(b) First Responder Defined.—Section 62(d) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

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

(c) Inflation Adjustment.—Section 62(d)(3) of the Internal Revenue Code of 1986, as amended by section
4, is further amended by striking “the $500 amount in subsection (a)(2)(D)” and inserting “the $500 amount in each of subparagraphs (D) and (F) of subsection (a)(2)”.

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

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

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

(1) in subparagraph (A)—

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

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

(2) in subparagraph (B)—

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

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

(3) in subparagraph (C)—
(A) by striking “$500,000” each place such term appears and inserting “$425,800”, and

(B) by striking “$150,689.50” and inserting “$124,719.50”, and

(4) in subparagraph (D)—

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

(B) by striking “$80,689.50” and inserting “$59,514.50”.

(b) CONFORMING AMENDMENTS.—

(1) Section 1(j)(4)(B)(iii) of the Internal Revenue Code of 1986 is amended—

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

(B) in subclause (II), by striking “37-percent bracket” and inserting “39.6-percent bracket”, and

(C) in the heading, by striking “37-PERCENT BRACKET” and inserting “39.6-PERCENT BRACKET”.

(2) Section 1(j)(4)(C) of such Code is amended—
(A) in clause (i)(II), by striking “paragraph (5)(B)(i)(IV)” and inserting “paragraph (5)(B)(iv)”, and

(B) by amending clause (ii) to read as follows:

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

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

“(II) the maximum dollar amount for the 35-percent rate bracket for estates and trusts.”.

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

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

“(A) IN GENERAL.—Subsection (h)(1)(B)(i) shall be applied by substituting ‘below the maximum zero rate amount’ for ‘which would (without regard to this paragraph) be taxed at a rate below 25 percent’.
“(B) Maximum zero rate amount defined.—For purposes of subparagraph (A), the term ‘maximum zero rate amount’ means—

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

“(ii) in the case of an individual who is a head of household (as defined in section 2(b)), $51,700,

“(iii) in the case of any other individual (other than an estate or trust), an amount equal to 1⁄2 of the amount in effect for the taxable year under clause (i), and

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

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

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

(d) Section 15 Not to Apply.—Section 15 of the Internal Revenue Code of 1986 shall not apply to any change in a rate of tax by reason of any amendment made by this section.