

109TH CONGRESS
1ST SESSION

H. R. 574

To amend the Internal Revenue Code of 1986 to provide for regional cost of living adjustments.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 2005

Mr. NADLER 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 provide for regional cost of living adjustments.

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 “Tax Equity Act”.

5 **SEC. 2. REGIONAL COST-OF-LIVING ADJUSTMENTS IN INDI-**
6 **VIDUAL INCOME TAX RATES.**

7 (a) GENERAL RULE.—Subsection (f) of section 1 of
8 the Internal Revenue Code of 1986 (relating to adjust-
9 ments in tax tables so that inflation will not result in tax

1 increases) is amended by adding at the end the following
2 new paragraphs:

3 “(9) REGIONAL COST-OF-LIVING ADJUST-
4 MENTS.—

5 “(A) IN GENERAL.—In the case of an indi-
6 vidual, the rate table otherwise in effect under
7 this section for any taxable year (determined
8 after the application of paragraph (1)) shall be
9 further adjusted as provided in subparagraph
10 (B).

11 “(B) METHOD OF MAKING REGIONAL AD-
12 JUSTMENT.—The rate table otherwise in effect
13 under this section with respect to any individual
14 for any taxable year shall be adjusted as fol-
15 lows:

16 “(i) The minimum and maximum dol-
17 lar amounts otherwise in effect for each
18 rate bracket shall be multiplied by the ap-
19 plicable multiplier (for the calendar year in
20 which the taxable year begins) which ap-
21 plies to the statistical area in which the in-
22 dividual’s primary place of abode during
23 the taxable year is located.

1 “(ii) The rate applicable to any rate
2 bracket (as adjusted by clause (i)) shall
3 not be changed.

4 “(iii) The amount setting forth the
5 tax shall be adjusted to the extent nec-
6 essary to reflect the adjustments in the
7 rate brackets.

8 If any amount determined under clause (i) is
9 not a multiple of \$50, such amount shall be
10 rounded to the nearest multiple of \$50.

11 “(10) DETERMINATION OF MULTIPLIERS.—

12 “(A) IN GENERAL.—Not later than De-
13 cember 15 of each calendar year, the Secretary
14 shall prescribe an applicable multiplier for each
15 statistical area of the United States, which shall
16 apply to taxable years beginning during the suc-
17 ceeding calendar year.

18 “(B) DETERMINATION OF MULTIPLIERS.—

19 “(i) For each statistical area where
20 the cost-of-living differential for any cal-
21 endar year is greater than 100 percent, the
22 applicable multiplier for such calendar year
23 shall be 100 percent of such differential.

24 “(ii) For each statistical area where
25 the cost-of-living differential for any cal-

1 endar year does not exceed 100 percent,
2 the applicable multiplier for such calendar
3 year shall be 1.

4 “(C) COST-OF-LIVING DIFFERENTIAL.—

5 The cost-of-living differential for any statistical
6 area for any calendar year is the percentage de-
7 termined by dividing—

8 “(i) the cost-of-living for such area for
9 the preceding calendar year, by

10 “(ii) the average cost-of-living for the
11 United States for the preceding calendar
12 year.

13 “(D) COST-OF-LIVING FOR AREA.—

14 “(i) IN GENERAL.—For calendar year
15 2005 and each calendar year thereafter,
16 the Secretary of Labor shall determine and
17 publish a cost-of-living index for each sta-
18 tistical area.

19 “(ii) METHODOLOGY.—The cost-of-liv-
20 ing index determined under clause (i) for
21 any statistical area for any calendar year
22 shall be based on average market prices for
23 the area for the 12-month period ending
24 on August 31 of such calendar year. The
25 market prices taken into account under the

1 preceding sentence shall be selected and
2 used under the same methodology as is
3 used by the Secretary of Labor in devel-
4 oping the Consumer Price Index for All
5 Urban Consumers.

6 “(E) STATISTICAL AREA.—For purposes of
7 this subsection, the term ‘statistical area’
8 means—

9 “(i) any metropolitan statistical area
10 as defined by the Secretary of Commerce,
11 and

12 “(ii) the portion of any State not
13 within a metropolitan statistical area as so
14 defined.

15 “(F) AREAS OUTSIDE THE UNITED
16 STATES.—The applicable multiplier for any
17 area outside the United States shall be 1.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 December 31, 2005.

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