

112TH CONGRESS  
1ST SESSION

# H. R. 1631

To amend the Internal Revenue Code of 1986 to provide for adjustments in the individual income tax rates to reflect regional differences in the cost-of-living.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 2011

Mr. NADLER (for himself, Mrs. LOWEY, and Mr. ISRAEL) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for adjustments in the individual income tax rates to reflect regional differences in the cost-of-living.

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 of  
5 2011”.

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

3 (a) GENERAL RULE.—Subsection (f) of section 1 of  
4 the Internal Revenue Code of 1986 is amended by adding  
5 at the end thereof the following new paragraphs:

6 “(9) REGIONAL COST-OF-LIVING ADJUST-  
7 MENTS.—

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

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

19 “(i) The minimum and maximum dol-  
20 lar amounts otherwise in effect for each  
21 rate bracket shall be multiplied by the ap-  
22 plicable multiplier (for the calendar year in  
23 which the taxable year begins) which ap-  
24 plies to the statistical area in which the in-  
25 dividual’s primary place of abode during  
26 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 125 percent, the  
22          applicable multiplier for such calendar year  
23          is 90 percent of such differential.

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

1           endar year exceeds 97 percent but does not  
2           exceed 125 percent, the applicable multi-  
3           plier for such calendar year is 1.05.

4           “(iii) For each statistical area not de-  
5           scribed in clause (i) or (ii), the applicable  
6           multiplier is the cost-of-living differential  
7           for the calendar year.

8           “(C) COST-OF-LIVING DIFFERENTIAL.—  
9           The cost-of-living differential for any statistical  
10          area for any calendar year is the percentage de-  
11          termined by dividing—

12           “(i) the cost-of-living for such area for  
13           the preceding calendar year; by

14           “(ii) the average cost-of-living for the  
15           United States for the preceding calendar  
16           year.

17          “(D) COST-OF-LIVING FOR AREA.—

18           “(i) IN GENERAL.—For calendar year  
19           2010 and each calendar year thereafter,  
20           the Secretary of Labor shall determine and  
21           publish a cost-of-living index for each sta-  
22           tistical area.

23           “(ii) METHODOLOGY.—The cost-of-liv-  
24           ing index determined under clause (i) for  
25           any statistical area for any calendar year

1 shall be based on average market prices for  
2 the area for the 12-month period ending  
3 on August 31 of such calendar year. The  
4 market prices taken into account under the  
5 preceding sentence shall be selected and  
6 used under the same methodology as is  
7 used by the Secretary of Labor in devel-  
8 oping the Consumer Price Index for All  
9 Urban Consumers.

10 “(E) STATISTICAL AREA.—For purposes of  
11 this subsection the term ‘statistical area’  
12 means—

13 “(i) any metropolitan statistical area  
14 as defined by the Secretary of Commerce,  
15 and

16 “(ii) the portion of any State not  
17 within a metropolitan statistical area as so  
18 defined.

19 “(11) AREAS OUTSIDE THE UNITED STATES.—  
20 The area applicable multiplier for any area outside  
21 the United States shall be 1.”

22 (b) EFFECTIVE DATE.—

23 (1) IN GENERAL.—The amendment made by  
24 this section shall apply to taxable years beginning  
25 after December 31, 2011.

1           (2) TRANSITION RULE.—Notwithstanding sec-  
2           tion 1(f)(9)(A) of the Internal Revenue Code (as  
3           added by this section), the date for prescribing ap-  
4           plicable multipliers for taxable years beginning in  
5           calendar year 2012 shall be the date 1 year after the  
6           date of the enactment of this Act.

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