

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 3671

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

NOVEMBER 22, 1993

Mr. NADLER (for himself, Mrs. LOWEY, Mr. ENGEL, and Mr. SCHUMER) 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 1993”.

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

8 (a) GENERAL RULE.—Subsection (f) of section 1 of  
9 the Internal Revenue Code of 1986 (relating to adjust-

1 ments in tax tables so that inflation will not result in tax  
2 increases) is amended by adding at the end thereof the  
3 following new paragraphs:

4           “(8) REGIONAL COST-OF-LIVING ADJUST-  
5           MENTS.—

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

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

17                 “(i) The minimum and maximum dol-  
18                 lar amounts otherwise in effect for each  
19                 rate bracket shall be multiplied by the ap-  
20                 plicable multiplier (for the calendar year in  
21                 which the taxable year begins) which ap-  
22                 plies to the statistical area in which the in-  
23                 dividual’s primary place of abode during  
24                 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          “(9) 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 each calendar  
19           year beginning after 1993, the Secretary of  
20           Labor shall determine and publish a cost-  
21           of-living index for each statistical area.

22           “(ii) METHODOLOGY.—The cost-of-liv-  
23           ing index determined under clause (i) for  
24           any statistical area for any calendar year  
25           shall be based on average market prices for

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

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

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

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

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

20 (b) EFFECTIVE DATE.—

21 (1) IN GENERAL.—The amendment made by  
22 this section shall apply to taxable years beginning  
23 after December 31, 1993.

24 (2) TRANSITION RULE.—Notwithstanding sec-  
25 tion 1(f)(9)(A) of the Internal Revenue Code (as

1 added by this section), the date for prescribing ap-  
2 plicable multipliers for taxable years beginning in  
3 calendar year 1994 shall be the date 1 year after the  
4 date of the enactment of this Act.

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