

107<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4394

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

---

IN THE HOUSE OF REPRESENTATIVES

APRIL 16, 2002

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           “(8) 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          “(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 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 each calendar  
15                   year beginning after 2002, the Secretary of  
16                   Labor shall determine and publish a cost-  
17                   of-living index for each statistical area.

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

1           used under the same methodology as is  
2           used by the Secretary of Labor in devel-  
3           oping the Consumer Price Index for All  
4           Urban Consumers.

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

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

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

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

17           (b) EFFECTIVE DATE.—The amendment made by  
18           this section shall apply to taxable years beginning after  
19           the date of the enactment of this Act.

○