



**DESCRIPTION OF THE CHAIRMAN’S AMENDMENT IN THE  
NATURE OF A SUBSTITUTE TO THE PROVISIONS OF H.R. \_\_\_\_,  
THE “RESTORING TAX FAIRNESS FOR STATES AND LOCALITIES ACT”**

The Chairman’s amendment in the nature of a substitute provides an enhanced above-the-line deduction for teachers and first responders.

**Present Law**

Although business expenses of employees are generally not allowed in computing adjusted gross income,<sup>1</sup> certain employee business expenses are so allowed (referred to as “above-the-line” deductions).<sup>2</sup> These include certain expenses of qualified performing artists, expenses of State or local government officials performing services on a fee basis, expenses of eligible educators, and expenses of members of a reserve component of the Armed Forces.<sup>3</sup> Eligible educators are individuals who are elementary or secondary school teachers, instructors, counselors, principals, or aides in a school for at least 900 hours during a school year.<sup>4</sup>

An eligible educator may take an above-the-line deduction for ordinary and necessary expenses incurred (1) by reason of participation in professional development courses related to the curriculum or students the educator teaches, or (2) in connection with books, supplies, computer and other equipment, and supplementary materials to be used in the classroom.<sup>5</sup> The deduction may not exceed \$250 (for 2019). This dollar amount is indexed for inflation.

---

<sup>1</sup> Sec. 62(a)(1). An individual may claim the standard deduction in addition to claiming all deductions allowed in determining adjusted gross income.

<sup>2</sup> Sec. 62(a)(2).

<sup>3</sup> Sec. 62(a)(2)(B), (C), (D), and (E). Under section 62(a)(2)(A) and (c), certain reimbursements of employee business expenses are excluded from income.

<sup>4</sup> Sec. 62(d)(1).

<sup>5</sup> Sec. 62(a)(2)(D). Supplies exclude nonathletic supplies for courses in health or physical education.

### **Description of Proposal**

The proposal increases the maximum dollar amount of the deduction for certain expenses of eligible educators to \$500. This dollar amount is indexed for inflation.<sup>6</sup>

The proposal also adds an above-the-line deduction for certain expenses of first responders. First responders are individuals who are employed as law enforcement officers, firefighters, paramedics, or emergency medical technicians for at least 1,000 hours during the taxable year.

A first responder may take an above-the-line deduction for expenses incurred (1) as tuition or fees for the participation in professional development courses related to service as a first responder, or (2) in connection with uniforms personally used in service as a first responder. The maximum dollar amount for the above-the-line deduction is \$500. This dollar amount is indexed for inflation.<sup>7</sup>

### **Effective Date**

The proposal to increase the maximum deduction for certain expenses of eligible educators is effective for taxable years beginning after December 31, 2018.

The proposal to add an above-the-line deduction for certain expenses of first responders is effective for taxable years beginning after December 31, 2019.

---

<sup>6</sup> The \$500 amount is first indexed in 2020.

<sup>7</sup> The \$500 amount is first indexed in 2020.

## Revenue Effects

The following presents the estimated Federal fiscal year budget effects of the Chairman's amendment in the nature of a substitute relative to the present-law baseline:

<u>Provision</u>	<u>Effective</u>	<u>Fiscal Years</u> <u>[Billions of Dollars]</u>												
		<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2020-24</u>	<u>2020-29</u>	
1. Increase the top individual income tax rate to 39.6% and restore the top income tax bracket.....	tyba 12/31/19	19.4	28.7	30.4	31.9	33.8	35.6	10.9	[1]	---	---	---	144.2	190.7
2. Increase in limitation on deduction for State and local taxes for married individuals for 2019; termination of limitation for 2020 and 2021.....	tyba 12/31/18 & tyba 12/31/19	-48.9	-88.7	-51.3	4.4	---	---	---	---	---	---	---	-184.5	-184.5
3. Increase in deduction for certain expenses of elementary and secondary school teachers.....	tyba 12/31/18	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2	-0.2	-0.2	-0.8	-1.9
4. Above-the-line deduction allowed for certain expenses of first responders.....	tyba 12/31/19	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.9	-1.9
<b>NET TOTAL .....</b>		<b>-29.8</b>	<b>-60.3</b>	<b>-21.2</b>	<b>35.9</b>	<b>33.4</b>	<b>35.2</b>	<b>10.5</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-42.0</b>	<b>2.4</b>

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column: tyba = taxable years beginning after

[1] Gain of less than \$50 million.