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(Original Signature of Member)

119TH CONGRESS
2D SESSION

H. R.

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.

IN THE HOUSE OF REPRESENTATIVES

Ms. GILLEN introduced the following bill; which was referred to the Committee on _____

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 “Cost of Living Tax
5 Cut Act”.

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 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, for taxable years beginning after 2026
10 the rate table otherwise in effect under this sec-
11 tion for any taxable year (determined after the
12 application of paragraph (1)) shall be further
13 adjusted as provided in subparagraph (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 exceeds 125 percent, the appli-
22 cable multiplier for such calendar year is
23 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 where
5 the cost-of-living differential for any cal-
6 endar year does not exceed 97 percent
7 (and, notwithstanding clauses (i) and (ii),
8 in the case of any statistical area which is
9 outside the United States), the applicable
10 multiplier for such calendar year is 1.

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

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

17 “(ii) the average cost-of-living for the
18 United States for the preceding calendar
19 year.

20 “(D) COST-OF-LIVING FOR AREA.—

21 “(i) IN GENERAL.—For calendar year
22 2026 and each calendar year thereafter,
23 the Secretary of Commerce shall determine
24 and publish a cost-of-living index for each
25 statistical area.

1 “(ii) **METHODOLOGY.**—The cost-of-liv-
2 ing index determined under clause (i) for
3 any statistical area for any calendar year
4 shall be based on average market prices for
5 the area for the 12-month period ending
6 on August 31 of such calendar year. The
7 market prices taken into account under the
8 preceding sentence shall be selected and
9 used under the same methodology as is
10 used by the Secretary of Commerce in de-
11 veloping Regional Price Parities indexes.

12 “(E) **STATISTICAL AREA.**—For purposes of
13 this subsection, the term ‘statistical area’
14 means—

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

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

21 (b) **EFFECTIVE DATE.**—The amendment made by
22 this section shall apply to taxable years beginning after
23 December 31, 2026.