ARIZONA BILL NO. _____
Income Tax Simplification

Summary: One simple slope formula is used to match AZ tax systems fairly and efficiently for replacing existing 4 tax brackets, 8 TI ranges*, 40 (4×2×5) withholding formulas, and withholding tables.

1.   A bill for an act
2.   relating to income taxation for calculating individual income tax rate and tax.
3.   A tax is hereby imposed for every tax year on the Arizona taxable income of every resident. The
4.   tax shall be determined by applying the tax rate and tax formulas provided in this section, which
5.   is based upon the following tax rate and tax:
6.   For tax year ~~2020~~ 2024, and all tax years thereafter:
7.   ~~If the taxable income is:~~   ~~The tax is:~~
8.   ~~Table X Single or Married Filing Separate~~
9.   ~~Not over $27,272~~   ~~0.0259×TI~~
10. ~~Over $27,272 but not over 54,544~~   ~~0.0334 TI 205~~
11. ~~Over $54,544 but not over 163,632~~   ~~0.0417 TI 657~~
12. ~~Over $163,632~~   ~~0.045 TI 1,197~~
13. ~~Table Y Married Filing Joint or Head of Household~~
14. ~~Not over $27,272×2~~   ~~0.0259×TI~~
15. ~~Over $27,272×2 but not over 54,544×2~~   ~~0.0334 TI 409~~
16. ~~Over $109,088 but not over 327,263~~   ~~0.0417 TI 1,315~~
17. ~~Over $327,263~~   ~~0.045 TI 2,394~~

18. If the yearly taxable income (YTI) is:	The tax rate and tax are:	Tax rate range in 2020:
19. Not over $120,000×S	$(YTI \div S \div C + BR) \times TI$	2.59% - 3.6%
20. Over $120,000×S	$(TR - (D \times S \div YTI)) \times TI$	3.6% - 4.5%

21. YTI is the yearly taxable income. S is status number (2 for Married filing jointly or qualifying
22. widow(er), 1.5 for Head of Household, 1 for Married filing separately or 1 for Single).
23. BR is bottom tax rate. TR is top rate. Tax rate ranges are 2.59%-3.6%-4.5% for not over and over
24. $120,000 in 2020. 2.59% is reduced to 2.55% for neutral tax revenue change*.
25. C is 11,881,188 from 120,000 to divide (÷) the 1-st tax rate range (120,000 ÷ (0.036-0.0259) or
26. 11,428,571 from (120,000 ÷ (0.036-0.0255*). D is 1,080 from 120,000 to multiply (×) the 2-nd
27. tax rate range difference (120,000 × (0.045-0.036) in 2020.
28. YTI=TI×F. TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
29. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

Examples: **Tax rate and tax are:**

1. YTI=$72,000 (S=1): $(72,000 \div 1 \div 11,881,188 + 0.0259) \times 72,000 = 0.03196 \times 72,000 = 2,301.12$
2. YTI is $288,000 (S=2): $(0.045 - (1,080 \times 2 \div 288,000)) \times 288,000 = 0.0375 \times 288,000 = 10,800.00$
3. Biweekly TI is $6,000 (S=1): $(6,000 \times 12 \div 1 \div 11,881,188 + 0.0259) \times 6,000 = 0.03196 \times 6,000 = 191.76$
4. Monthly TI is $24,000 (S=2): $(0.045 - 1,080 \times 2 \div 24,000 \div 12)) \times 24,000 = 0.0375 \times 24,000 = 900.00$

* Notes:
1. AZ has 4 tax brackets, 8 taxable income ranges, 40 (4×2×5) formulas, Withholding Tables, and 6-page Tax Table, which can be matched and simplified by 2 fair** brackets and formulas with **97%**

reduction $(1-(2÷40)×(2÷4))$ for AZ businesses, lawmakers, DOR and taxpayers. The Tax Table (6 pages) or its formula is used as one option.

** Fair tax rate changes: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf
(3. Tax Rate Change Speed, Checking Tool, Tax Status and Simplification)

2. At \$120,000, tax rate is 0.036225 from $(0.0417×120,000-657)/120,000$ (as 3.6%). C and D are:

Year	Tax rate ranges	Constant C	Constant D
2020	0.0259-0.036-0.045	11,881,188	1,080
2020	0.0255-0.036-0.045	11,428,571	1,080
2019	0.0259-0.0363-0.045	11,538,462	1,044
2018	0.0259-0.0372-0.0454	10,619,469	984
2017	0.0259-0.0373-0.0454	10,526,316	972
2016	0.0259-0.0374-0.0454	10,434,783	960
2015	0.0259-0.0374-0.0454	10, 434,783	960
2014	0.0259-0.0375-0.0454	10,344,828	948

3. With this simplification, the tax rate ranges of 2.59%-3.6%-4.5% may gain tax revenue slightly. 2.59% may be reduced to 2.55% (or 2.5%) to have neutral tax revenue change and to help low-end incomers to reduce tax rates and taxes slightly according to its evaluation from DOR. Other incomers have no or almost no tax rate and tax difference.

4. AZ income tax rate adjustments are complex www.azleg.gov/legtext/55leg/1R/bills/SB1109P.pdf (1997-2021), which can be matched and simplified significantly with the two brackets and formulas.

5. Withholding tables and related formulas are matched and replaced by two formulas and the following formula to calculate withholding taxes with Standard deductions, exemptions and tax credits and income taxes for tax returns with actual deductions, exemptions and tax credits. S numbers of 2 for Married filing jointly/qualifying widow(er), 1 for Married filing separately, 1 for Single and 1.5 for Head of Household are suggested. AZ standard deductions (SD) are as SD×S (S is 2, 1 or 1.5).

www.azleg.gov/legtext/55leg/1R/bills/SB1799P.pdf

Withholding/Income Tax = (Incomes±Adjustments-(Deductions+Exemptions)÷F)×Tax rate - Tax credits÷F

6. For existing tax reforms, tax brackets, tax rates, taxable income ranges and tax goal are considered at the same time, which are affected each other and complex. With this tax simplification, only 3 tax rates at bottom, \$120,000 and top are considered to adjust to meet a tax revenue goal, which is explained by our 2021 research paper (Page 508).

Bill Summary

Bill xxx - This bill matches and simplifies existing 4 tax brackets, 8 taxable income ranges, withholding tables, and 40 (4×2×5) formulas with 2 proposed formulas and brackets. Tax status is numbered with 1, 2 or 1.5. Payrolls, withholding taxes, reports, tax returns, tax analyses, tax reforms and tax projections can be simplified with this tax simplification. A checking tool is provided to reduce calculation mistakes. Then for tax reforms, lawmakers would consider only 3 tax rates at bottom, \$120,000 and top to be adjusted to meet a tax revenue goal.