Summary of Tax Calculation Simplification for AZ (Saving $180 Million/Year)
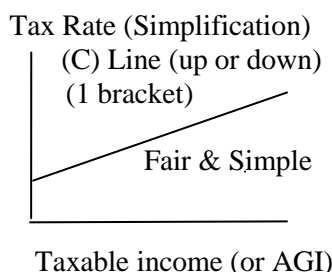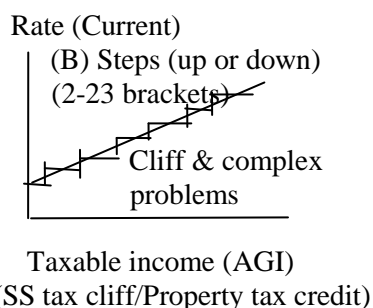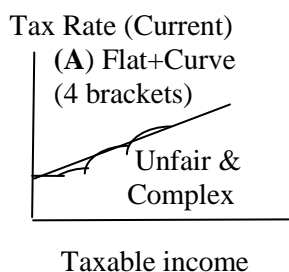https://taxsimplecenter.net/statetaxsimplification.html (I....AZ)

1. Basic Question: What tax rates are fair and simple? When 2 tax rates are set, **effective (linear) tax rates between the two points with a straight line are fair and simple. Existing flat and curve or step tax rates** with less or more tax brackets **are unfair and complex.** (FIG. 1)

2. Tax Simplification, Publication, Benefit and Value: Effective (linear) and gradual (LG) tax simplification has been developed, which is supported by our 12 publications at   http://taxsimplecenter.net/publication.html The LG tax simplification has 15 benefits for lawmakers, companies, taxpayers and department of revenue. Its **value is about $187 million/year**, which is based on 3.5 million tax returns per year. (Page 2)

3.   FIG. 1   Current Tax Rates (A and B) and Simplification (C)

Tax Rate (Current)	Rate (Current)	Tax Rate (Simplification)	**Conclusion:**
(A) Flat+Curve (4 brackets)	(B) Steps (up or down) (2-23 brackets)	(C) Line (up or down) (1 bracket)	**Option (C)** is the simplest & best
Unfair & Complex	Cliff & complex problems	Fair & Simple	
Taxable income	Taxable income (AGI) (SS tax cliff/Property tax credit)	Taxable income (or AGI)	

4. Tax Simplification

Yearly taxable income ÷ S is:	Not over $120,000	Over $120,000
Tax rate is:	$(YTI÷S÷A)+0.0259$	$0.0454-(B×S÷YTI)$

Wherein YTI=yearly taxable income, S=tax status (1, 2 or 1.5), there are two tax rate ranges of 0.0259-0.0373-0.0454 in 2017, A=120,000÷ 1-st tax rate difference=10,526,316, and B=120,000× 2-nd tax rate difference=972.

* Existing Tax Table or its formula (1 option) is used. Some people may still like Tax Table.

5. Comparison between Existing and LG Tax Calculation Systems
a) Existing Tax System: Tax Schedules, Withholding Tables, Tax Table and tax computations (Often change!)
b) Tax Simplification: only 3 formulas (4 brackets→2)

6. Lawmakers will reduce related political arguments with different tax brackets, TI ranges and tax rates.
https://azdor.gov/forms/withholding-forms
7. Existing Withholding Tax Tables (multi-pages) are eliminated and replaced by 3 simple formulas for companies to **save $77 million/year** (value) if at $1/payroll/person to cover 11 areas. (Details: Page 4**)
https://azdor.gov/businesses-arizona/withholding-tax/withholding-calculator
8. Postcard Tax Return (or Tax Withholding Report and Modification)

9. Who will have the 15 benefits? For lawmakers, companies, taxpayers and department of revenue
State Department of Revenue can save $50 million/year within $187 million/year. (Page 2)

10.   Existing two sub tax systems are about 13 months apart**.** This simplification provides one system to simplify withholding tax, payroll, withholding report, tax return, analysis, reform and projection with 2 brackets.

11. Other Applications: https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wothers.pdf

For more information: www.taxsimplecenter.net or questions: johnlee@taxsimplecenter.net or 913-710-0957

Benefits and Value of Tax Calculation Simplification ($180 Million/Year)

Linear and gradual (LG) tax simplification has been developed, which is supported by our 12 publications at http://taxsimplecenter.net/publication.html More tax brackets mean smooth tax rates, more complex, high cost and more tax revenue or less tax brackets mean rough tax rate changes, simple, less cost and less tax revenue relatively. The tax simplification can be used to have many benefits for lawmakers, companies, taxpayers and departments of revenue. Its value (~$180 million/year) is based on 3.5 million tax returns per year in AZ.

#	Benefits	Value
1.	Existing 5/4 (or 3-12) AZ tax brackets are matched and reduced to 2 comparably.	Less time/More simple
2.	**Lawmakers** select tax bracket #, taxable income ranges, tax rates and computations for Tax reforms now. With the tax simplification, **only 3 tax rates** are needed for tax projection.	Less time/hustle
3.	Simple formula improvement contributes to **Fiscal Note** (state department of revenue)	? $3 million
4.	**Tax Status** (S) is numbered with 1 for Singles, 1 for Married filing separately, 2 for Married filing jointly or 1.5 for Head of Household. **Standard Deductions** are combined together and simplified into simple $x,xxx*S (S=1, 1.5 or 2). If ((1+0.5)x3.5 million):	$5.2 million
5.	**Withholding Tax Tables** (multi pages) are replaced by 3 simple formulas for companies to do with filing periods/year (F) and S. If (1+0.2)/person/period (1.2x26x3.3 million):	$103 million (** Page 4)
6.	**Tax Table** is optional, which may be replaced by one simple formula. If ((1+0.5)x3.5 million):	$5.2 million
7.	Combining two existing sub tax systems (5/6) together without time delay (13 M) for:	Real & quick tax
8.	**One tax credit formula** for simple & complex credits (including EITC) If (2x3.5 million): (1 non-refundable and 1 refundable tax credit formulas)	$7 million
9.	Many incomers with standard deductions and non-complex tax situations (50%) file **simple tax returns or tax withholding report modifications** If ((15+5)x50%x3.5 million):	$35 million
10.	**A checking tool** of two tax rate ranges (2.59%-3.73%-4.54%) is provided to check and reduce tax rate and tax calculation mistakes. If ((2+1)x3.5 million):	$10.5 million
11.	**Fraud crime** is inspected and reduced by comparing tax returns and tax withholding reports.	Less crime
12.	Postcard (or half page) tax return form can be used. If (5+2)/each (7 x50%x3.5 million):	$12 million
13.	Tax refunds with $100 or less are delayed to next-year refunds (in the Postcard Form).	Less time/cost
14.	State Department of Revenue will process less tax return during busy tax season and have more time to inspect more tax returns and collect more tax.	More tax
15.	The LG tax simplification can be used to simplify tax calculation, payroll, tax analysis, tax reform and projection.	Less time/costs

Total: **Less time/struggle, less mistake, less crime, less cost, more tax and $180 million/year**

(To Dept of Revenue: $50 million)

More information is available at http://taxsimplecenter.net/statetaxsimplification.html (I...... AZ).

AZ_____ Income Tax Calculation Simplification (It is added into existing tax bill*)

	If the yearly taxable income (YTI) ÷ S is:	The tax rate and tax are:
	$120,000 and under	$((YTI \div A \div S) + 0.0255) \times TI$
	Over $120,000	$(0.0454 - (B \times S \div YTI)) \times TI$

Wherein YTI=yearly taxable income, S=status (1 for Single or MFS, 2 for MFJ or 1.5 for HH), YTI=TI×F, TI=taxable income, F=filing period (1 for tax returns, 2, 4, 12, 24, 26, 52 or 365 for withholding taxes, A=120,000 ÷ 1-st tax rate difference (0.0373-0.0255*)= 10,169,492 and B=120,000 × 2-nd tax rate difference (0.0454-0.0373)=972 according to two tax rate ranges of 0.0259-0.0373-0.0454 (2017), which are often changed such as to 0.0259-0.0372-0.0454 (2018), 0.0259-0.0363-0.045 (2019) and 0.0259-0.0362-0.045 (2020).

* (1) Existing 5 tax brackets are matched/reduced to 2. Tax Table or its formula (1 option) is used. Companies use the simple formulas to replace existing Withholding Tax (many pages) for taxes and payrolls easily. Calculations of withholding taxes, payrolls, tax analysis, reform, and projection are simplified.

Withholding/Income Tax=(Incomes-Adjustments-(Deductions+Exemptions)÷F)×Tax rate-Tax credits÷F
   (2) Option: Bottom rate 0.0259 may be reduced to 0.0255 (or 0.0x) to have neutral tax revenue. For 0.0259-0.0373-0.0454, A is changed slightly and B is the same. Its tax rate formula is: (TI×F÷S÷10,526,316)+0.0259. For 0.025-0.0373, its tax rate formula is: (TI×F÷S÷9,756,098)+0.025. Low-end incomers can reduce tax rates and income taxes without tax revenue reduction. Then the both parties can benefit.

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Comparison between Existing and Simplified Tax Calculation Systems
1.   Existing Tax Calculation System: Two sub tax systems tax schedules, Withholding Tables (8 pages), Tax Table (6 pages) and tax computations with 5 tax brackets
2.   Simplification: 2 formulas to match/simplify the existing two systems and eliminate Withholding Tables

TI×F ÷ S	1) Existing system	2) 2.59-4.54%	3) 2.55-4.54%	4) 2.5-4.54%	Rate difference #2/#3/#4 - #1
500	0.0259	0.0259475	0.025549	0.02505	0.0000 / -0.0004 / -0.0008
1,000	0.0259	0.025995	0.025600	0.02510	0.0001 / -0.0003 / -0.0008
20,000	0.0273	0.0278	0.0274667	0.02705	0.0005 / 0.0002 / -0.0003
50,000	0.03052	0.03065	0.0304167	0.030125	0.0001 / -0.0001 / -0.0004
90,000	0.0356333	0.03445	0.03435	0.034225	-0.0012 / -0.0013 -0.0014
120,000	0.037325	0.0373	0.0373	0.0373	-0.00003 / -0.00003 / -0.00003
150,000	0.03834	0.03892	0.03892	0.03892	0.0006 / 0.0006 / 0.0006
200,000	0.040025	0.04054	0.04054	0.04054	0.0005 /0.0005 / 0.0005
600,000	0.043608333	0.04378	0.04378	0.04378	0.0002 / 0.0002 / 0.0002
1,000,000	0.044325	0.044428	0.044428	0.044428	0.0001 /0.0001 / 0.0001
5,000,000	0.045185	0.0452056	0.0452056	0.0452056	0.0000 / 0.0000 / 0.0000

Comparison of AZ Existing and LG Systems (5/4 tax brackets are reduced to 2)

Comparison of Tax Rates between Existing and LG Tax Systems for AZ Individuals
Taxable Income: 500-5,000,000)
Existing Tax Rate (%)
ProTax Rate (%)
Difference

AZ Income Tax Calculation Simplification

Existing AZ tax system and tax simplification: Existing 4 (5 or 3-12) tax brackets with Withholding Tables can be matched/reduced to 2 brackets without Withholding Tables. Then tax rates, taxable incomes, analysis, and projection can be simplified. Also related political conflicts can be reduced. More method information is available at http://taxsimplecenter.net/publication.html **New tax simplification bill** can be used to simplify and match existing 5 tax brackets of 2.59%-4.54% to 2 smooth tax rates comparably. The 2 tax rate ranges of 2.55%*-3.73%-4.54% are used as a checking tool to reduce calculation mistakes. A filing period number of 365, 52, 26, 24, 12, 4, 2, or 1 and tax status number of 1, 2 or 1.5 are used to match/replace existing Withholding Tables and Tax Tables simply. 2 tax rate ranges are good enough. For tax reforms, 2 tax brackets can be used to avoid related political arguments with 3-10 brackets. Many taxpayers with standard deductions may file simple tax returns (goal: 50%) to save processing time and costs.

Total Tax$=0.0255\text{Sum(TIa+TIc)}+(\text{Sum(TIa)}^2+2\text{Sum(TIc)}^2)\div20{,}833{,}984+0.0454\text{Sum(TIb+TId)}-972(2B+D)$

Withholding/Income Tax$=(\text{Incomes-Adjustments-(Deductions+Exemptions)}\div F)\times\text{Tax rate-Tax credits}\div F$

** Existing withholding tables and related formulas (10x6+) can be eliminated by the two formulas and one withholding tax formula to cover all allowances. After the formulas are set in such as Excel or Spreadsheet, related calculations are repeated simply. Related costs $**103 million** (=1.2x26(F)x3.3 millions) from (1) making the 18-page tables, (2) publication, (3) checking tax numbers under 0-10 allowances (>10?), (4) inputs, (5) using calculation formulas (10) at high wages and the >10, (6) filings, (7) transfers, (8) rechecking mistakes, (9) tax recalculations, (10) software, and (11) data analysis, can be reduced for Dept of Revenue and companies.

FORM AZ-140 20xx ARIZONA INDIVIDUAL INCOME TAX RETURN

Check one: O Married filing separately O Single O Married filing jointly O Head of household

Tax Status # (S)	1	1	2	2	**Form Barcode**
Standard deduction ($)	5,183	5,183	10,336	10,336

Exemption ($):2,150/Person #___; 2,100/≥65 #___; 1,500/Blind #____; 2,300/Dependent #___

Address:

A	B	C	D	E	F	G	
Year	Your Name	Occupation	Social security (SS) #	Spouse name	Occupation	Spouse SS#	1
							2
Tax Status # (S)	Federal AGI	Exemptions	Standard/Itemized deduction	AZ gross incomes	AZ taxable income (YTI)	Child #	3
							4
YTI ÷ S	Yearly TI/S	YTI	LG tax rate formula	Rate check	Tax rate	Tax / Table	5
	0-120,000		YTI÷10,169,492÷S+0.0255	0.0255-0.0373			6
	Over 120,000		0.0454 - 972×S÷YTI	0.0373-0.0454			7
Non-refund tax credits	Tax balance If <0,enter 0	AZ income tax withheld	Refundable tax credits	Voluntary gifts #_____	Tax refund (last year: ≤$100)	Tax (Owe+/ Refund-)	8
							9

(1) Taxable income (YTI)= B4-C4-D4   (2) Tax balance (B9)=Tax-A9

(3) Tax (Owe+/Refund-)=B9-C9-D9-E9-F9   (4) Attach necessary documents except standard deduction/exemption. If tax refund (G9) is not over $100, do tax return and delay the refund to next year (F9) to save time/cost. If tax refund is over $100, please fill in:

Tax Return Barcode

Bank routing#_____, Account #_____, Name_____

Signature: Your_____ **Spouse**_____ **Date**_____

Third-party preparer name_____ Address_____

EIN/SS#_____ Phone#_____ Date_____ Signature_____