

Reducing KS Corporate Bottom Tax Rate by 0.5% Without Tax Revenue Reduction

Background: MO has corporate tax rate at 4%, which was reduced from 6.25%. OK has also reduced corporate tax rate from 6% to 4%. The tax rate reduction also causes tax revenue reduction. AR has corporate tax rate range 1%-6.5%.

A better corporate tax plan is to have relatively lower bottom tax rate, which can encourage more people to start businesses. Small businesses hire many people for economic development and contribute to state tax revenue. Middle and large businesses are more stable and can pay relatively higher tax rates.

KS Corporate Tax System Modification: Existing corporate tax rates are 4% at 0-\$50,000 and 7% for above \$50,000. KS bottom tax rate 4% is not competitive, which is suggested to be reduced to 3.5%. If smooth tax rate change and tax simplification are applied, there may be no tax revenue reduction or minor change. Also tax rates change smoothly. At \$100,000, existing tax rate is 5.5%. Here is summary table. Then 3.5% is more competitive than 4% (MO and OK).

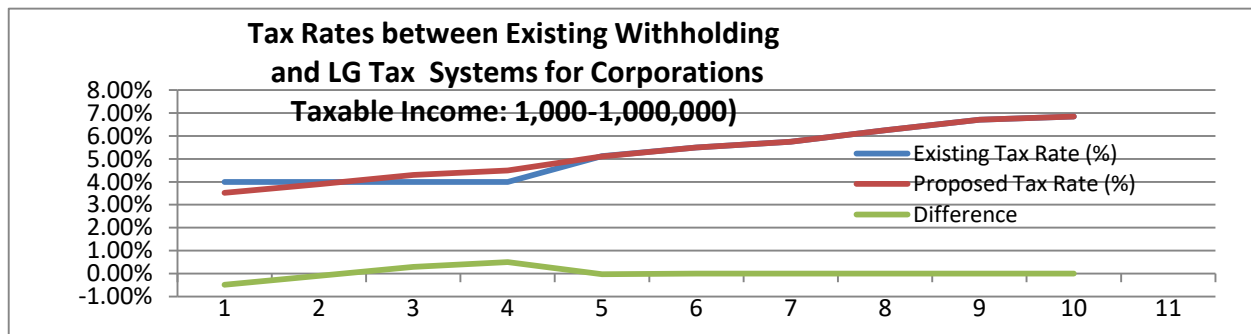
Table 1 LG tax rate system for KS government and corporations

Taxable income (TI) × F	Annual taxable income (ATI)	Taxable income (TI)	LG tax rate formula	Tax rate check	Tax rate	Tax TI*rate
	0 - 100,000		$0.035 + TI \cdot F \div C$	0.035-0.055		
	Over 100,000		$0.07 - D \div TI \div F$	0.055-0.07		

C is 5,000,000 from 100,000 to divide the 1-st tax rate range difference (0.055-0.035). D is 1,500 from 100,000 to multiply the 2-nd tax rate range difference (0.07-0.055). TI is taxable income, TI×F is annual taxable income (ATI). F is filing period # (1, 2, 4, 12, 24, 26, 52 or 364 on yearly, semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis). Tax rate check can be used to check and reduce calculation errors. Figure 1 shows tax rate balance without significant tax revenue difference.

$$\text{Total tax} = 0.035 \text{ Sum(ATI}_a) + \text{Sum(ATI}_a)^2 \div 5,000,000 + 0.07 \text{ Sum(ATI}_b) - 1,500 B$$

Figure 1 Tax Rates from Withholding Schedule and LG Tax Rate Systems



The two formulas provide the most efficient tax calculation system with smooth tax rate changes. For further tax reforms such as reducing to 3%-5%-6.5%, then C is 5,000,000 from 100,000÷(0.05-0.03). D is 1,500 from 100,000× (0.065-0.05), which can reduce tax revenue, which need to be balanced. Tax rate ranges may be adjusted to meet related tax revenue projections with fixing 0-\$100,000- simply.

For more information or questions, visit our web or contact johnlee@taxsimplecenter.net or 913-710-0957

Kansas Individual Tax Simplification, Benefit and Value (\$90+ Million)

#1. Background: John Lee is business owner. He has prepared withholding taxes and tax returns, which are complex, for many years. He and his co-author (Finance Associate Professor) have worked for 10 years and published 12 research papers. Our complex tax calculation systems can be matched and simplified with 2 fair* formulas and brackets resulting in 90%-99% reduction and 15 benefits*.



#2. Two Tax Options: (Existing Tax Calculation System and Simplification)

Option A: KS has 3 (up to 8) tax brackets, 48 (3×2×8) formulas and 22-page Withholding Tables for withholding taxes and 6 formulas and 8-page Tax Table for tax returns. These formulas, tables, and tax rates are often changed because of tax reform and inflation. **For more than 80 years, Kansas has struggled about tax systems with different tax brackets (2-8) and formulas (32-128)** (Next page).

Option B: 2 fair* formulas (**The most efficient and stable tax calculation system for KS**)

Options A and B are matched each other. Option B has **98% reduction and 15 benefits*** for KS businesses, DOR and taxpayers to **save \$90+ million** (Table 6*). For future tax reform, **lawmakers would adjust only 3 tax rates** (at bottom, \$50,000 and top) **to replace the existing 3 factors** with many options* (*2021 Research Paper). **Do you like Option A or B? Let us work together for KS.**

* **2021 Research Paper:** www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf
Benefits and Values of State LG Tax Simplification for Governments, Businesses and Taxpayers

Abstract

Introduction and Literature Review

Benefits and Values of the LG Tax Simplification

1. The Existing State Personal and Corporate Tax Calculation Systems and Simplification
2. Withholding Table and Tax, Income Tax, Tax Table, Tax Return, Evasion, Tax Fraud, and Simplification
3. Tax Rate Change Speed, Checking Tool, Tax Status and Simplification
4. Tax Analysis, Tax Revenue Difference (Fiscal Note) and Projection
5. Tax Reform, Factor and Simplification
6. Other Simplification Applications
7. Value and Cost of the LG Tax Simplification

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Lawmaker Name: _____



Please check one option: Option A or B (for percentage):

[] Option A: If you like the existing KS tax system with 48 (3×2×8) formulas, 3 tax brackets (up to 8 during the past 90 years) and 22-page Withholding Tables for withholding taxes and 6 formulas and 8-page Tax Table for tax returns. These formulas, tables and tax rates are often changed (Next page).

[] **Or** Option B: If you like the 2 fair* formulas



Tax Revenue Change and Potential Saving for KS

1. Tax Formulas and Tax Revenue Changes

(A) For over \$50,000, the same formula is used with different **formats** and the exact same tax revenue.

Existing Formula: $1,252.5 + 5.7\% (ATI - 30,000) = 0.057YTI - 457.5 = (0.057 - 457.5 \div ATI) \times ATI$

New Formula: $(\text{Top tax rate} - (D \times S \div ATI)) \times TI = (0.057 - (457.5 \times S \div ATI)) \times TI$

(B) For not over \$50,000, existing 6-16 formulas are matched with 1 fair* formula (slight gain ~\$5 million).

2. Potential Savings (98% reduction and 15 benefits to save \$90+ million)

The simplification with 2 fair* brackets/formulas has **98%** (from 1-(2÷48)(2÷4)) **reduction and 15 benefits** (Table 6*) to save \$90+ million/years for KS businesses, DOR and taxpayers.

* **Research paper:** www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf
<https://taxsimplecenter.net/publication.html> (12 publications)

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Kansas Personal Income Tax Calculation Systems (1933-2023) and Simplification

1. For tax years 1933-1956: **5 tax brackets and 10 taxable income ranges** at 1%, 2%, 2.5%, 3% & 4%
2. For tax year 1957: 5 tax brackets and 10 taxable income ranges (TIR) at 1%, 2%, 2.5%, 3% & 5%
3. For tax years 1958-1964: 5 tax brackets and 10 taxable income ranges at 1.5%, 2.5%, 3%, 4% & 5.5%
4.
5. For tax years 1977-1987: **8 tax brackets and 16 TIR** at 2%, 3.5%, 4%, 5%, 6.5%, 7.5%, 8.5% & 9%
6.
7. For tax years 1997: 3 tax brackets and 6 taxable income ranges (TIR) at 4.1%, 7.5% & 7.75%
8.
9. For tax years 1998-2012: **3 tax brackets and 6 taxable income ranges** at 3.5%, 6.25% & 6.45%
10.
11. For tax year 2017: 3 tax brackets and 6 different calculation formulas at 2.9%, 4.9% & 5.2%
12. For tax year 2018-2023: **3 tax brackets and 6 taxable income ranges at 3.1%, 5.25% & 5.7%**
13. **(Each tax system has 32-128 ((2-8)×2×8) formulas and xx-page Withholding Tables)**
14.
15. For 2024 and all tax years thereafter: **(2 brackets and formulas)**
16. For the annual taxable income ÷ S is: The tax rate and tax are: Tax rate range:
17. Not over \$50,000 $(ATI \div S \div C + 0.03^{**}) \times TI$ 3% - 4.785%
18. Over \$50,000 $(\text{Top tax rate} - (D \times S \div ATI)) \times TI$ 4.785% - 5.7%
19.
20. ATI=annual taxable income. S= status number (2 for married filing joint returns or 1 for all others).
21. $ATI = TI \times F$. TI=taxable income. F=filing period # (1, 2, 4, 12, 24, 26, 52 or 364).
22. $C = 2,801,120$ from 50,000 to divide (÷) the 1-st tax rate range difference (0.04785-0.03**) for neutral
23. tax revenue or $2,967,359 = 50,000 \div (0.04785 - 0.031)$. $D = 457.5$ from 50,000 to multiply (×) the 2-nd tax
24. rate range difference (0.057-0.04785).
25. Tax rate ranges are 3%-4.785%-5.7%, which can be reformed, for $ATI \div S$ not over and over \$50,000.



- ** (1) Existing 3.1%-5.7% can have slight tax revenue gain (~\$5 million). 3.1% can be reduced to 3%.
 (2) **With the simplification, existing 32-128 formulas and Withholding Tables are not needed.**

https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wks_bill_draft32.pdf

Examples:

Tax rate and tax are:

1. $ATI = \$38,500$: $(ATI \div S \div C + 0.03) \times TI = (38,500 \div 1 \div 2,801,120 + 0.03) \times 38,500 = 0.0437445 \times 38,500 = 1,684.16$
2. Biweekly TI is \$1,480 (S=1): $(1,480 \times 26 \div 1 \div 2,801,120 + 0.03) \times 1,480 = 0.0437374 \times 1,480 = 64.73$
3. Monthly TI is \$10,000 (S=2): $(0.057 - 457.5 \times 2 \div (10,000 \times 12)) \times 10,000 = 0.049375 \times 10,000 = 493.75$