

Summary: Two or one simple linear formula and one existing formula are used to match CA tax systems fairly/efficiently for replacing existing 9 tax brackets (**Problem #1**), 216 (9×3×8) formulas (**Problem #2: too many**), 27 taxable income ranges (**Problem #3**), and 29-page Withholding Tables (**Problem #4: too many pages**).

1. A bill for individual income tax rate and tax. A tax is hereby imposed for every tax year on the taxable
2. income of every resident. The tax shall be determined by applying the tax rate and tax formulas provided
3. in this section, which is based upon the following tax rate and tax:
4. For tax year 2017-2024, and all tax years thereafter:
5. ~~If the taxable income is: _____ The tax is:~~
6. ~~(1) Schedule X Single or Married/RDP filing separately~~
7. ~~Not over \$8,223 1.00% of taxable income (TI)~~
8. ~~Over \$8,223 but not over \$19,495 \$82.23 plus 2.00% of excess over \$8,223~~
9. ~~Over \$19,495 but not over \$30,769 \$307.67 plus 4.00% of excess over \$19,495~~
10. ~~..... 9 brackets~~
11. ~~Over \$53,980 but not over \$275,738 \$2,376.67 plus 9.30% of excess over \$53,980~~
12. ~~Over \$551,473 \$53,606.76 plus 12.30% of excess over \$551,473~~
13. ~~(2) Schedule Y Married/RDP filing jointly, or qualifying widow(er) with dependent child~~
14. ~~Not over \$16,446 1.00% of taxable income (TI)~~
15. ~~..... 9 brackets~~
16. ~~Over \$85,422 but not over \$107,960 \$2,950.30 plus 8.00% of excess over \$85,422~~
17. ~~Over \$107,960 but not over \$551,476 \$4,753.34 plus 9.30% of excess over \$107,960~~
18. ~~Over \$1,102,946 \$107,213.52 plus 12.30% of excess over \$1,102,946~~
19. ~~(3) Schedule Z Head of Household~~
20. ~~Not over \$16,457 1.00% of taxable income (TI)~~
21. ~~..... 9 brackets~~
22. ~~Over \$73,477 but not over \$375,002 \$2,684.37 plus 9.30% of excess over \$73,477~~
23. ~~Over \$450,003 but not over \$750,003 \$38,451.30 plus 11.30% of excess over \$450,003~~
24. ~~Over \$750,003 \$72,351.30 plus 12.30% of excess over \$750,003~~
- 25.
26. If the yearly taxable income (YTI) is: The tax rate and tax are: Tax rate range:
27. Not over \$100,000×S (YTI÷S÷A + 0.01) × TI 1% - 6.43%
28. (\$100,000 - \$500,000)×S (YTI÷S÷C + 0.0571) × TI 6.43%-9.31%
29. Over \$500,000×S (0.123 - (D× S÷YTI)) × TI 9.31%-12.3%
- 30.
31. "YTI" is the yearly taxable income. "S" is status # (1 for Married filing separately or Single, 2 for
32. Married filing jointly or qualifying widow(er) or 1.5 for Head of Household).
33. A is 1,841,621 from 100,000 to divide the 1-st tax rate range difference (0.0643-0.01), C is
34. 13,888,889 from 400,000 to divide the 2-nd tax rate range difference (0.0931-0.0643) and D is 14,950
35. from 500,000 to multiply the 3-rd tax rate range difference (0.123-0.0931) in 2020.
36. There are 3 tax rate ranges of 0.01-0.0643-0.0931-0.123 in 2020. "YTI" is equal to "TI×F", "TI" is
37. taxable income and "F" is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly, semi-yearly, quarterly,
38. monthly, semi-monthly, bi-weekly, weekly or daily basis).

Examples (2020):**Tax rate and tax are:**

1. YTI=\$72,000 (S=1): $(72,000 \div 1,841,621 \div 1 + 0.01) \times 72,000 = 0.0491 \times 72,000 = 3,534.91$
2. Monthly=\$6,000 (S=1): $(6,000 \times 12 \div 1,841,621 \div 1 + 0.01) \times 6,000 = 0.0491 \times 6,000 = 294.58$
3. Weekly=\$21,662 (S=2): $(0.123 - 14,950 \times 2 \div 21,662 \div 52) \times 21,662 = 0.096456 \times 21,662 = 2,089.43$
4. Bi-weekly=\$9,231 (S=2): $(9,231 \times 26 \div 13,888,889 \div 2 + 0.0571) \times 9,231 = 0.06574 \times 9,231 = 606.85$

Notes:

(1) California has 9 tax brackets, which can be matched and reduced to three at taxable incomes of \$100,000-\$500,000-. Then their "A", "C" and "D" are as follows:

www.ftb.ca.gov/forms/2019/2019-540-booklet.html#2019-California-Tax-Rate-Schedules

Year	Tax rate ranges	"A"	"C"	"D"
2020	0.01-0.0643-0.0931-0.123	1,841,621	13,888,889	14,950
2020	0.009-0.0643-0.0931-0.123	1,808,318	13,888,889	14,950
2019	0.01-0.0647-0.0943-0.123	1,828,154	13,513,514	14,350
2019	0.009-0.0647-0.0943-0.123	1,795,322	13,513,514	14,350
2017	0.01-0.0665-0.0946-0.123	1,769,912	14,234,875	14,200

(2) With this simplification, problems from the 9 tax brackets, 216 (9×3×8) formulas, 27 taxable income ranges and 29-page Withholding Tables can be resolved by 3 (or 2) simple brackets/formulas fairly with 99% reduction (1-3÷216). The tax rate ranges are 1%-6.47%-9.43%-12.3% for 0-\$100,000-\$500,000- (2019). There may be slight tax revenue gain. 1% may be reduced to 0.9% for neutral tax revenue to help low-end incomers to reduce tax rates and taxes slightly. 0.9% may be adjusted according to its evaluation from Department of Revenue. Other incomers have very minor or no tax rate and tax difference. Another option is to have two brackets at 1%-8%-12.3% for 0-\$240,000- (A=3,428,571=240,000÷(8%-1%) and D=10,320 =240,000×(12.3%-8%)).

For over \$500,000 (or \$240,000) × S, the same tax formula is converted into tax rate and tax format.

$$(\$53,606.76 + 12.30\% (YTI - \$551,473)) = 0.123 - 14,224 \div YTI \times YTI \text{ into } (T - (D \div YTI)) \times TI$$

(*) Fair tax rate changes: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf

(3. Tax Rate Change Speed, Checking Tool, Tax Status and Simplification)

(3) www.edd.ca.gov/pdf_pub_ctr/de44.pdf Withholding Tables (29 pages) and related formulas are replaced by the above 3 formulas for 0-\$100,000-\$500,000- or 2 formulas for 0-\$240,000- 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.

$$(\text{Incomes} \pm \text{Adjustments} - (\text{Deductions} + \text{Exemptions}) \div F) \times \text{Tax rate} - \text{Tax credits} \div F$$

(4) Existing Tax Table (5 pages) or its formula is for people to have one option.

(5). 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 or 4 tax rates at bottom, middle (1 or 2) and top are adjusted to meet a tax goal. The factors are explained by our research paper (Page 509).

Bill Summary

Bill xxx - This bill matches and simplifies existing 9 tax brackets, 29-page Withholding Tables, and 216 (9×3×8) formulas with the 3 (or 2) formulas in this bill simply. Tax status is numbered with 1, 2 or 1.5. Payrolls, withholding reports, tax returns, tax analyses, tax reforms and tax projections are also simplified with the 3 brackets instead of existing 9 brackets. A checking tool is provided to reduce calculation mistakes. For a tax reform, only 4 tax rates at bottom, top, \$100,000 and \$500,000 are adjusted to meet a related tax projection.

For more information, contact us at johnlee@taxsimplecenter.net or 913-710-0957.