

## CONNECTICUT BILL NO. \_\_\_\_\_ Individual income tax simplification

**Summary:** One simple slope formula and one existing formula are used to match CT tax systems fairly and efficiently for replacing existing 7 tax brackets, 21 taxable income ranges (**Problem #1: too many ranges**), 105 (7×3×5) formulas (**Problem #2: too many formulas**), and 14-page Withholding Tables (**Problem #3: too many pages**).

1. AN ACT concerning income taxation; relating to tax rates and repealing the existing section.
2. Be it enacted by the Legislature:
3. Section 1. A tax is hereby imposed upon taxable income of every resident individual, which tax rate
4. and tax shall be computed in accordance with the following Tax Rate Schedule:
5. <https://portal.ct.gov/-/media/DRS/Publications/pubsip/2021/IP-2021-1.pdf>
6. A tax on the brackets of taxable income as follows:
7. ~~If the taxable income is: \_\_\_\_\_ The tax are:~~
8. ~~Single and married filing separately filing status A, D or F:~~
9. ~~Not over \$10,000 \_\_\_\_\_ 3% of the taxable income~~
10. ~~Over \$10,000 but not over \$50,000 \_\_\_\_\_ \$300 plus 5.0% of excess over \$10,000~~
11. ~~Over \$50,000 but not over \$100,000 \_\_\_\_\_ \$2,300 plus 5.5% of excess over \$50,000~~
12. ~~Over \$100,000 but not over \$200,000 \_\_\_\_\_ \$5,050 plus 6.0% of excess over \$100,000~~
13. ~~Over \$200,000 but not over \$250,000 \_\_\_\_\_ \$11,050 plus 6.5 of excess over \$200,000~~
14. ~~Over \$250,000 but not over \$500,000 \_\_\_\_\_ \$14,300 plus 6.9% of excess over \$250,000~~
15. ~~Over \$500,000 \_\_\_\_\_ \$31,550 plus 6.99% of excess over \$500,000~~
16. ~~Head of household filing status B:~~
17. ~~Not over \$16,000 \_\_\_\_\_ 3% of the taxable income~~
18. ~~Over \$16,000 but not over \$80,000 \_\_\_\_\_ \$480 plus 5.0% of excess over \$16,000~~
19. ~~Over \$80,000 but not over \$160,000 \_\_\_\_\_ \$3,680 plus 5.5% of excess over \$90,000~~
20. ~~Over \$160,000 but not over \$320,000 \_\_\_\_\_ \$8,080 plus 6.0% of excess over \$160,000~~
21. ~~Over \$320,000 but not over \$400,000 \_\_\_\_\_ \$17,680 plus 6.5 of excess over \$320,000~~
22. ~~Over \$400,000 but not over \$800,000 \_\_\_\_\_ \$22,880 plus 6.9% of excess over \$400,000~~
23. ~~Over \$800,000 \_\_\_\_\_ \$50,480 plus 6.99% of excess over \$800,000~~
24. ~~Married filing jointly and qualifying widow(er) filing status C:~~
25. ~~Not over \$20,000 \_\_\_\_\_ 3% of the taxable income~~
26. ~~Over \$20,000 but not over \$100,000 \_\_\_\_\_ \$600 plus 5.0% of excess over \$20,000~~
27. ~~Over \$100,000 but not over \$200,000 \_\_\_\_\_ \$4,600 plus 5.5% of excess over \$100,000~~
28. ~~Over \$200,000 but not over \$400,000 \_\_\_\_\_ \$10,1050 plus 6.0% of excess over \$200,000~~
29. ~~Over \$400,000 but not over \$500,000 \_\_\_\_\_ \$22,100 plus 6.5 of excess over \$400,000~~
30. ~~Over \$500,000 but not over \$1,000,000 \_\_\_\_\_ \$28,600 plus 6.9% of excess over \$500,000~~
31. ~~Over \$1,000,000 \_\_\_\_\_ \$63,100 plus 6.99% of excess over \$1,000,000~~
- 32.
33. The above non-smooth tax rate changes can be matched and simplified to their smooth tax rate changes.
34. For the yearly taxable income (YTI) is:                      The tax rate and tax are:                      Tax rate range:
35. Not over \$120,000×S    (YTI÷B÷S+0.03)×TI    3% - 5%
36. Over \$120,000×S    (0.0699–(D×S÷YTI))×TI    5% - 6.99%
37. YTI is the yearly taxable income. S is tax filing status (2 for Married filing jointly and qualifying
38. widow(er), 1 for Single and married filing separately or 1.5 for Head of household. C is 6,000,000 from
39. 120,000 to divide (÷) the 1-st tax rate range difference (0.05-0.03). D is 2,388 from 1200,000 to

40. multiply (×) the 3-rd tax rate difference (0.0699-0.05). The 7 tax brackets are matched and reduced to 2
41. tax rate ranges of 3%-5%-6.99% for taxable incomes ÷ S not over and over \$120,000.  $YTI=TI \times F$ , TI is
42. taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on different basis).

**Examples:**

**Tax rate and tax are:**

1.  $YTI=\$72,000$  (S=1):  $(72,000 \div 6,000,000 \div 1 + 0.03) \times 72,000 = 0.042 \times 72,000 = 3,024.00$
2. Bi-weekly TI is \$12,500 (S=2):  $(0.0699 - 2,388 \times 2 \div 12,500 \div 26) \times 12,500 = 0.0552046 \times 12,500 = 690.06$
3. Monthly TI is \$6,000 (S=1):  $(6,000 \times 12 \div 6,000,000 \div 1 + 0.03) \times 6,000 = 0.042 \times 6,000 = 252.00$

**\*Notes:**

1. With this simplification, the existing 7 tax brackets (3%, 5%, 5.5%, 6%, 6.5%, 6.9%, and 6.99%), 105 (7×3×5) formulas, 21 tax rate ranges and Withholding Tables (14 pages) can be matched and simplified by 2 brackets and formulas (3%-5%-6.99) fairly (\*) with 99% reduction (1-(2÷7)(2÷105)).
2. The 14-page withholding tables and 105 (7×3×5) formulas can be eliminated and replaced by the 2 formulas simply and fairly. <https://portal.ct.gov/DRS/DRS-Forms/Current-Year-Forms/Withholding-Forms>  
<https://portal.ct.gov/-/media/DRS/Publications/pubsip/2021/IP-2021-1.pdf>

**Withholding/Income Tax**=(Incomes±Adjustments-(Deductions+Exemptions)÷F)×Tax rate-Tax credits÷F  
**Total Tax**=0.03SumYTib+Sum(YTic×YTIc)÷6,000,000+Sum(0.0699 YTI d-2,388)

Standard deductions, exemptions and tax credits are used for withholding tax calculations. F=1 is for tax returns. Tax Table (10 pages) or its formula can be used as one option.

<https://portal.ct.gov/-/media/DRS/Forms/2020/Income/2020-Income-Tax-Tables-to-102K.pdf>

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

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

3. For not over \$120,000×S, one slope formula is used to match and simplify fairly. For over \$120,000×S, the same tax formula is converted into tax rate and tax format.

\$31,550 plus 6.99% (YTI - \$500,000)=(0.0699 - 3,400÷YTI)×YTI into (0.0699-(D×S÷YTI)) × TI

Then the 2 formulas are used to simplify and replace the existing 7 tax brackets, 21 taxable income ranges, 105 (7×3×5) formulas, and 14-page Withholding Tables.

4. At \$120,000, tax rate is 5.208% from  $(5,050 + 0.06 \times (120,000 - 100,000)) / 120,000$ , which is reduced and balanced to 5%. Slight tax revenue may be gained. The bottom tax rate 3% may be reduced to 2.9% for neutral tax revenue according to its evaluation from DOR. \$120,000 may be increased to \$240,000 at 5.68%. Other incomers have minor or no tax rate and tax difference.

5. For existing tax reforms, tax brackets, tax rates, taxable income ranges, tax computations, 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 2021 research paper (Page 508).

**Bill Summary:** This bill can match and simplify existing 7 tax brackets, 21 taxable income ranges, 105 (7×3×5) formulas, and 14-page Withholding Tables with 2 formulas and brackets. Withholding taxes, payrolls, withholding reports, income taxes, tax returns, tax analyses, fiscal notes, tax projections, and tax reforms can be simplified. A checking tool is provided to check and reduce calculation mistakes. For future tax reforms, only 3 tax rates at bottom, \$120,000, and top are adjusted by lawmakers.

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