

**GEORGIA BILL NO. \_\_\_\_\_ Individual income tax simplification**

**Summary:** One simple slope formula and one existing formula are used to match GA tax systems fairly and efficiently for replacing existing 6 tax brackets, 18 taxable income ranges (**Problem #1: too many ranges**), 144 (6×3×8) formulas (**Problem #2: too many formulas**), and 20-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://dor.georgia.gov/it-511-individual-income-tax-booklet> (2020: Page 21)
- 6. A tax on the brackets of taxable income as follows:
- 7. ~~If the taxable income is: \_\_\_\_\_ The tax are:~~
- 8. ~~Single:~~
- 9. ~~Not over \$750 \_\_\_\_\_ 1% of the taxable income~~
- 10. ~~Over \$750 but not over \$2,250 \_\_\_\_\_ \$8.00 plus 2% of excess over \$750~~
- 11. ~~Over \$2,250 but not over \$3,750 \_\_\_\_\_ \$38.00 plus 3% of excess over \$2,250~~
- 12. ~~Over \$3,750 but not over \$5,250 \_\_\_\_\_ \$83.00 plus 4% of excess over \$3,750~~
- 13. ~~Over \$5,250 but not over \$7,000 \_\_\_\_\_ \$143.00 plus 5% of excess over \$5,250~~
- 14. ~~Over \$7,000 \_\_\_\_\_ \$230.00 plus 5.75% of excess over \$7,000~~
- 15. ~~Married Filing Joint or Head of Household:~~
- 16. ~~Not over \$1,000 \_\_\_\_\_ 1% of the taxable income~~
- 17. ~~Over \$1,000 but not over \$3,000 \_\_\_\_\_ \$10.00 plus 2% of excess over \$1,000~~
- 18. ~~Over \$3,000 but not over \$5,000 \_\_\_\_\_ \$50.00 plus 3% of excess over \$3,000~~
- 19. ~~Over \$5,000 but not over \$7,000 \_\_\_\_\_ \$110.00 plus 4% of excess over \$5,000~~
- 20. ~~Over \$7,000 but not over \$10,000 \_\_\_\_\_ \$190.00 plus 5% of excess over \$7,000~~
- 21. ~~Over \$10,000 \_\_\_\_\_ \$340.00 plus 5.75% of excess over \$10,000~~
- 22. ~~Married Filing Separate:~~
- 23. ~~Not over \$500 \_\_\_\_\_ 1% of the taxable income~~
- 24. ~~Over \$500 but not over \$1,500 \_\_\_\_\_ \$5.00 plus 2% of excess over \$500~~
- 25. ~~Over \$1,500 but not over \$2,500 \_\_\_\_\_ \$25.00 plus 3% of excess over \$1,500~~
- 26. ~~Over \$2,500 but not over \$3,500 \_\_\_\_\_ \$55.00 plus 4% of excess over \$2,500~~
- 27. ~~Over \$3,500 but not over \$5,000 \_\_\_\_\_ \$95.00 plus 5% of excess over \$3,500~~
- 28. ~~Over \$5,000 \_\_\_\_\_ \$170.00 plus 5.75% of excess over \$5,000~~
- 29.
- 30. The above non-smooth tax rate changes can be matched and simplified to their smooth tax rate changes.
- 31. For the yearly taxable income (YTI) is:            The tax rate and tax are:            Tax rate range:
- 32. Not over \$6,000×S     (YTI÷C÷S+0.01)×TI                         1% - 3.792%
- 33. Over \$6,000×S    (0.0575-(D×S÷YTI))×TI                     3.792% - 5.75%
- 34. YTI is the yearly taxable income. S is tax filing status (1 for Married Filing Separate, 2 for Married
- 35. Filing joint or Head of Household or 1.4 for Single.
- 36. C is 214,900 from 6,000 to divide (÷) the 1-st tax rate range difference (0.03792-0.01). D is 117.5 from
- 37. 6,000 to multiply (×) the 2-nd tax rate difference (0.0575-0.03792). The 6 tax brackets are matched and
- 38. reduced to 2 tax rate ranges of 1%-3.792%-5.75% for taxable incomes ÷ S not over and over \$6,000.
- 39. YTI=TI×F, TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,

40. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

**Examples:**

**Tax rate and tax are:**

- 1. YTI=\$5,678 (S=1):  $(5,678 \div 214,900 \div 1 + 0.01) \times 5,678 = 0.03642 \times 5,678 = 206.80$
- 2. Bi-weekly TI is \$2,500 (S=2):  $(0.0575 - 117.5 \times 2 \div 2,500 \div 26) \times 2,500 = 0.0538846 \times 2,500 = 134.71$
- 3. Monthly TI is \$6,000 (S=1):  $(0.0575 - 117.5 \times 1 \div 6,000 \div 12) \times 6,000 = 0.055868 \times 6,000 = 335.20$

**\*Notes:**

1. With this simplification, the existing 6 tax brackets (1%, 2%, 3%, 4%, 5%, and 5.75%), 144 (6×3×8) formulas, 18 tax rate ranges, and 20-page Withholding Tables can be matched and simplified by 2 brackets and formulas (1%-3.792%-5.75%) fairly (\*) with 99% reduction (1-(2÷6)(2÷144)).

2. The 20-page Withholding Tables, 144 (6×3×8) formulas, and 18 tax rate ranges can be eliminated and replaced by the 2 formulas simply and fairly. Different tax statuses are numbered as 2, 1.5 or 1.

[https://dor.georgia.gov/sites/dor.georgia.gov/files/related\\_files/document/TSD/Guide/2019\\_Employers\\_Tax\\_Guide.pdf](https://dor.georgia.gov/sites/dor.georgia.gov/files/related_files/document/TSD/Guide/2019_Employers_Tax_Guide.pdf)

<https://dor.georgia.gov/it-511-individual-income-tax-booklet>

[https://dor.georgia.gov/sites/dor.georgia.gov/files/related\\_files/document/TSD/Guide/2018\\_Employers\\_Tax\\_Guide.pdf](https://dor.georgia.gov/sites/dor.georgia.gov/files/related_files/document/TSD/Guide/2018_Employers_Tax_Guide.pdf)

**Withholding/Income Tax**=(Incomes±Adjustments-(Deductions+Exemptions)÷F)×Tax rate-Tax credits÷F  
**Total Tax**=0.01SumYTIb+Sum(YTIc×YTIc)÷214,900+Sum (0.0575 YTI d-117.5)

Standard deductions, exemptions and tax credits are used for withholding tax calculations. F=1 is for tax returns. Tax Table (3 pages) or its formula can be used as one option.

<https://dor.georgia.gov/it-511-individual-income-tax-booklet>

(\*) 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. Another option is to raise \$6,000×S to \$12,000×S (\$1,000×S/Month) with two tax rate ranges such as 1%-4.771%-5.75%. For over \$6,000, the same tax formula is converted into tax rate and tax format.

$$(\$170.00 + 5.75\% (YTI - \$5,000)) = 0.0575 - 117.5 \div YTI \times YTI \text{ into } (0.0575 - (D \times S \div YTI)) \times TI$$

4. With this simplification, the bottom tax rate 1% may be reduced to such as 0.9%-3.792%-5.75% for not over and over \$6,000 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 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 tax rates at bottom, middle, and top are adjusted to meet a tax goal. The factors are explained by our 2021 research paper (Page 508\*).

**Bill Summary**

Bill xxx - This bill can match and simplify existing 6 tax brackets, 144 (6×3×8) formulas, 18 tax rate ranges, and 20-page Withholding Tables with 2 formulas and brackets. The 3 tax statuses are numbered as 1, 2 or 1.4 simply. Withholding taxes, payrolls, withholding reports, income taxes, tax returns, tax analyses, fiscal notes, tax projections, and tax reforms can be simplified with the 2 brackets. A checking tool is provided to check and reduce calculation mistakes. For future tax reforms, only 3 tax rates at bottom, \$6,000, and top are adjusted by lawmakers.

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