

IOWA BILL NO. _____
Income Tax Simplification

A BILL FOR

1. An Act relating to income taxation for calculating individual income tax rate and tax. A tax
2. is hereby imposed for every tax year on the Iowa taxable income of every resident. The tax
3. shall be determined by applying the tax rate and tax formulas provided in this section, which
4. is based upon the following tax rate and tax:

5. BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

6.

7. For tax year ~~2021~~**2024** and all tax years thereafter:

8. If the taxable income is: The tax is (~~2021~~): If the taxable income is: The tax is (~~2018~~)

9. Not over 1,676 ~~0.33% of the taxable income~~ Not over 1,598 ~~0.36% of the taxable income~~

10. Over \$1,676 \$3,352 ~~\$5.53 + 0.67% (TI \$1,676)~~ Over \$1,598 \$3,196 ~~\$5.75 + 0.72% (TI \$1,598)~~

11. Over \$3,352 \$6,704 ~~\$16.76 + 2.25% (TI \$3,352)~~ Over \$3,196 \$6,392 ~~\$17.26 + 2.43% (TI \$3,196)~~

12. Over \$6,704 \$15,084 ~~\$92.18 + 4.14% (TI \$6,704)~~ Over \$6,392 \$14,382 ~~\$94.92 + 6.12% (TI \$6,392)~~

13. Over \$15,084 \$25,140 ~~\$439.11 + 5.63% (TI \$15,084)~~ Over \$14,382 \$23,970 ~~\$454.47 + 6.48% (TI \$14,382)~~

14. Over \$25,140 \$33,520 ~~\$1,005.26 + 5.96% (TI \$25,140)~~ Over \$23,970 \$31,960 ~~\$1,041.26 + 6.8% (TI \$23,970)~~

15. Over \$33,520 \$50,280 ~~\$1,504.71 + 6.25% (TI \$33,520)~~ Over \$31,960 \$47,940 ~~\$1,559.01 + 7.92% (TI \$31,960)~~

16. Over \$50,280 \$75,420 ~~\$2,552.21 + 7.44% (TI \$50,280)~~ Over \$47,940 \$71,910 ~~\$2,645.65 + 7.92% (TI \$47,940)~~

17. Over \$75,420 ~~\$4,422.63 + 8.53% of (TI \$75,420)~~ Over \$71,910 ~~\$4,544.07 + 8.98% (TI \$71,910)~~

18.

19. If the annual taxable income is: The tax rate and tax are: 2021 Tax rate range:

20. Not over \$24,000 (ATI ÷ A + 0.003*) × TI 0.3% - 3.92%

21. \$24,000 - \$72,000 (ATI ÷ C + 0.03005) × TI 3.92% - 5.75%

22. Over \$72,000 (Top tax rate - (D ÷ ATI)) × TI 5.75% - 8.53%

23.

24. ATI=annual taxable income. 2021 top tax rate is 8.53% and bottom tax rate is 0.3%* (from 0.33%).

25. A is 662,983 from 24,000 to divide the 1-st tax rate range difference (0.0392-0.003), C is 2,622,951

26. from 48,000 to divide the 2-nd tax rate range difference (0.0575-0.0392) and D is 2,002 from 72,000

27. to multiply the 3-rd tax rate range difference (0.0853-0.0575) for 2021. ATI=TI×F. TI is taxable

28. income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 364).

Examples:

Tax rate and tax are:

1. ATI=\$23,000: (23,000 ÷ 662,983 + 0.003) × 23,000 = 0.0376917 × 23,000 = 866.91

2. Monthly TI is \$4,321: (4,321 × 12 ÷ 2,622,951 + 0.03005) × 4,321 = 0.04981857 × 4,321 = 215.27

3. Bi-weekly TI is \$3,456: (0.0853 - 2,002 ÷ (3,456 × 26)) × 3,456 = 0.0630199 × 3,456 = 217.80

Two-bracket Option:

If the annual taxable income is: The tax rate and tax are: 2021 Tax rate range:

Not over \$60,000 (ATI ÷ A + 0.003*) × TI 0.3% - 5.45%

Over \$60,000 (Top tax rate - (D ÷ ATI)) × TI 5.45% - 8.53%

A=1,165,049 from 60,000 ÷ (0.0545 - 0.003) and D=1,848 from 60,000 × (0.0853 - 0.0545).

Examples:

Tax rate and tax are:

1. ATI=\$55,000: (55,000 ÷ 1,165,049 + 0.003) × 55,000 = 0.0502083 × 55,000 = 2,761.46

2. Bi-weekly TI is \$3,456: (0.0853 - 1,848 ÷ (3,456 × 26)) × 3,456 = 0.06473376 × 3,456 = 223.72

Notes:

1. With this simplification, the existing 9 tax brackets, 45 (9×5) formulas and Withholding Tables (13 pages) can be matched and simplified to 3 or 2 fair* brackets and formulas with 98% reduction (1-(3÷9) (3÷45)). For 0-\$24,000-\$72,000-, their "A", "C" and "D" are as follows:

Year	Tax rate ranges	"A"	"C"	"D"
2021	0.003-0.0392-0.0575-0.0853	662,983	2,622,951	2,002
2021	0.0033-0.0392-0.0575-0.0853	668,524	2,622,951	2,002
2019	0.0033-0.0396-0.0587-0.0853	714,286	2,513,089	1,915.2
2018	0.0036-0.0435-0.0632-0.0898	601,504	2,436,548	1,915.2

<https://tax.iowa.gov/idr-announces-2021-interest-rates-deductions-income-tax-brackets>

<https://tax.iowa.gov/iowa-tax-rate-history>

<https://tax.iowa.gov/idr-announces-2019-interest-rates-standard-deductions-income-tax-brackets>

**Fair tax rate changes: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf
(3. Tax Rate Change Speed, Checking Tool, Tax Status and Simplification)

2. The tax rate ranges of 0.33%-3.92%-5.75%-8.53% at yearly taxable incomes (ATI) of 0-\$24,000-\$72,000- may gain tax revenue slightly with this simplification. 0.33% is reduced to 0.3% to have neutral tax revenue and help low-end incomers to reduce tax rates and taxes slightly. 0.3% may be adjusted according to its evaluation from Department of Revenue. Other incomers have no or almost no tax rate and tax differences.

3. <https://tax.iowa.gov/withholding-tax-information> withholding tables (13 pages) and related formulas are replaced by the above 3 tax rate formulas at yearly taxable incomes (ATI) of 0-\$24,000-\$72,000- 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. (Incomes ± Adjustments - (Deductions + Exemptions) ÷ F) × Tax rate - Tax credits ÷ F

4. Existing tax table (5 pages) or its formula is for people to have one option.
<https://tax.iowa.gov/sites/default/files/2020-12/2020TaxTables%2841026%29.pdf>
<https://tax.iowa.gov/sites/default/files/2019-12/2019TaxTables%2841026%29.pdf>

5. Another option is to have 2 brackets and formulas with tax rate ranges of 0.3%-5.45%-8.53% at yearly taxable incomes not over and over \$60,000. Then A is 1,165,049 from 60,000÷(0.0545-0.003) and D is 1,848 from 60,000×(0.0853-0.0545) .

6. For existing tax reforms, tax brackets, tax rates, taxable income ranges and tax goal are considered at the same time, which are affected each and complex. With this tax simplification, only 4 (or 3) tax rates at bottom, middle(s) and top are adjusted to meet a tax goal. The factors are explained by our research paper (Page 508) in 2021. www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf

Bill Summary

Bill xxx - This bill matches and reduces existing 9 tax brackets, 45 (9×5) formulas and Withholding Tables (13 pages) are matched and simplified by 3 (or 2) brackets and formulas. 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 tax reforms, only 4 (or 3) tax rates of bottom and top tax rates and two tax rates at \$24,000 and \$72,000 (or one tax rate at \$60,000) are adjusted to meet related tax projection by lawmakers.

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

Iowa Tax Simplification, Benefit and Value (\$95+ Million)



Two Tax Options: (Existing Tax Calculation System and Simplification)

Option A: IA has 9 tax brackets, 45 (9×5) formulas, 9 different taxable income ranges, and 13-page Withholding Tables for withholding taxes and 9 formulas and 5-page Tax Table for tax returns. These formulas, TI ranges, and tables are often changed. **For more than 80 years, IA has struggled about tax systems with different tax brackets (5-13) and formulas (25-65)** (Next page).

Option B: 3 fair* formulas (**The most efficient and stable tax calculation system for IA**)

Options A and B are matched each other. Option B has **98% reduction and 15 benefits*** for IA businesses, DOR and taxpayers to **save \$95+ million***(Table 6) For future tax reforms, **lawmakers would adjust only 3 tax rates** (at bottom, 2/1 middle 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 IA.**

* **Research paper:** www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf (2021)
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



15 Benefits and Saving Values (\$20-\$900 Million) / State (Table 6) such as:

- (1) **To match/reduce** existing 12-3 tax brackets to 2 (up to **83% reduction**),
- (2) **To eliminate existing xx-page Withholding Tables and 36-280 formulas** (on different filing periods),
- (3) **To help state lawmakers** to simplify tax reforms with 3 tax rates at bottom, middle and top only,
- (4) **To help departments of revenue** to simplify fiscal notes, tax analyses and projections, and

<https://taxsimplecenter.net/publication.html> (**12 publications**)

Our research shows that the above different tax brackets (5-13), withholding formulas (25-65), and 13-page Withholding Tables can be matched and simplified with the 3 or 2 formulas.

Comparisons of Existing Tax Calculation Systems and Simplification

Tax Calculation System	Tax Brackets	Withholding Formulas	Withholding Tables	Tax Table	Tax Revenue Change	Saving for Businesses
Existing 0.33%-8.53%	9 (up to 13)	54 (up to 65)	13 pages	5 pages	No change	No
Simplification	3 or 2	3 or 2	0	Option	~No change	\$36.4 million

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Tax Revenue Change and Potential Saving for IA

1. Tax Formulas and Tax Revenue Changes

(A) For over \$72,000, the same formula (different format) is used (**almost no tax revenue difference**).

Existing Formula: $\$4,422.63 + 8.53\% \text{ of } (TI - \$75,420) = 0.0853 YTI - 2010 = (0.0853 - 2010 \div ATI) \times ATI$

New Formula: $\text{Top tax rate} - (D \div ATI) \times TI = (0.0853 - 2002 \div ATI) \times TI$

(B) For not over \$24,000, existing 5-25 formulas are replaced with 1 formula (very slight tax revenue gain).

2. Potential Savings (98% reduction and 15 benefits to save \$95+ million)

The simplification with 3/2 fair* brackets/formulas has **98%** (from $1 - (3 \div 45)(3 \div 9)$) **reduction and 15 benefits** (Table 6*) to save \$95+ million/years for IA businesses, DOR and taxpayers. Let us work together for IA.

* **Research paper:** www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf

<https://tax.iowa.gov/iowa-tax-rate-history>

IA Personal Income Tax Calculation Systems (1934-2022) and Simplification



1. For tax year 1934: 5 tax bracket at 1% - 5% with top bracket of \$4,000
2. For tax year 1953: 5 tax bracket at 0.75% - 3.75% with top bracket of \$5,000
3. For tax year 1955: 5 tax bracket at 0.8% - 4% with top bracket of \$4,000
4. For tax year 1957: 5 tax bracket at 0.75% - 3.75% with top bracket of \$4,000
5. For tax year 1965: 6 tax bracket at 0.75% - 4.5% with top bracket of \$9,000
6. For tax year 1967: Additional bracket and new top rate was introduced
7. For tax year 1971: 7 tax bracket and 35 withholding formulas at 0.75% - 7%
8. For tax year 1975: 13 tax bracket at 0.5% - 13% with top bracket of \$75,000
9. For tax year 1979: 13 tax bracket and 65 withholding formulas at 0.5% - 13% with top of \$76,725
10. For tax year 1987: 9 tax bracket at 0.4% - 9.98% with top bracket of \$45,000
11. For tax year 1998: 9 tax bracket and 45 withholding formulas at 0.36% - 8.98% with top of \$51,660
12. For tax year 2018: 9 tax bracket and 45 withholding formulas at 0.36% - 8.98% with top of \$71,910
13. For tax year 2019: 9 tax bracket and 45 withholding formulas at 0.33% - 8.53% with top of \$73,710
14. For tax year 2021: 9 tax bracket and 45 withholding formulas at 0.33% - 8.53% with top of \$75,420
15. For tax year 2022: 9 tax bracket and 45 withholding formulas at 0.33% - 8.53% with top of \$78,435
16. (Each tax system has 25-65 formulas and xx-page Withholding Tables)
- 17.
18. For 2024 and all tax years thereafter: **(3 or 2 brackets and formulas)**
19. If the annual taxable income is: The tax rate and tax are: 2021 Tax rate range:
20. Not over \$24,000 $(ATI \div A + 0.003^*) \times TI$ 0.3% - 3.92%
21. \$24,000 - \$72,000 $(ATI \div C + 0.03005) \times TI$ 3.92% - 5.75%
22. Over \$72,000 $(\text{Top tax rate} - (D \div ATI)) \times TI$ 5.75% - 8.53%
23. (or 2 brackets at 0.3%-5.45%-8.53% for not over and over \$60,000)
24. ATI=annual taxable income. A is 662,983 from 24,000 to divide the 1-st tax rate range difference
25. (0.0392-0.003), C is 2,622,951 from 48,000 to divide the 2-nd tax rate range difference (0.0575-
26. 0.0392) and D is 2,002 from 72,000 to multiply the 3-rd tax rate range difference (0.0853-0.0575) for
27. 2021. $ATI=TI \times F$. TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 364).
28. 2021 tax rate ranges are 0.3%-3.92%-5.75%-8.53% at not over \$24,000, to \$72,000 and over \$72,000.

Examples:

- Tax rate and tax are:**
1. $ATI=\$23,000:$ $(23,000 \div 662,983 + 0.003) \times 23,000 = 0.0376917 \times 23,000 = 866.91$
 2. Monthly TI is \$4,321: $(4,321 \times 12 \div 2,622,951 + 0.03005) \times 4,321 = 0.04981857 \times 4,321 = 215.27$
 3. Bi-weekly TI is \$3,456: $(0.0853 - 2,002 \div (3,456 \times 26)) \times 3,456 = 0.0630199 \times 3,456 = 217.80$