Summary of Tax Calculation Simplification for IA (Saving $95 Million/Year)
https://taxsimplecenter.net/statetaxsimplification.html (D....IA)

1. **Basic Question: What Tax Rates Are Fair and Simple?** When 2 tax rates are set, **effective (linear) tax rates between the two points with a straight line are fair and simple. Existing flat and curve or step tax rates** with less or more tax brackets **are unfair and complex.** (FIG. 1)

2. **Tax Simplification, Publication, Benefit and Value:** Effective (linear) and gradual (LG) tax simplification has been developed, which is supported by our 12 publications at http://taxsimplecenter.net/publication.html The LG tax simplification has 15 benefits for lawmakers, companies, taxpayers and department of revenue. Its **value is about $95 million/year**, which is based on 1.6 million tax returns per year. (Page 2)

3. **FIG. 1** **Current Tax Rates (A and B) and Simplification (C)**

Tax Rate (Current)
  (A) Flat+Curve
  (3-8 tax brackets)
  Unfair & Complex

Rate (Current)
  (B) Steps (up or down)
  (2-23 brackets)
  Cliff & complex problems

Tax Rate (Simplification)
  (C) Line (up or down)
  (1 bracket)
  Fair & Simple

Conclusion:

Option (C) is the simplest & best

Taxable income

Taxable income (AGI)
(Tax cliff/Property tax credit)

Taxable income (or AGI)
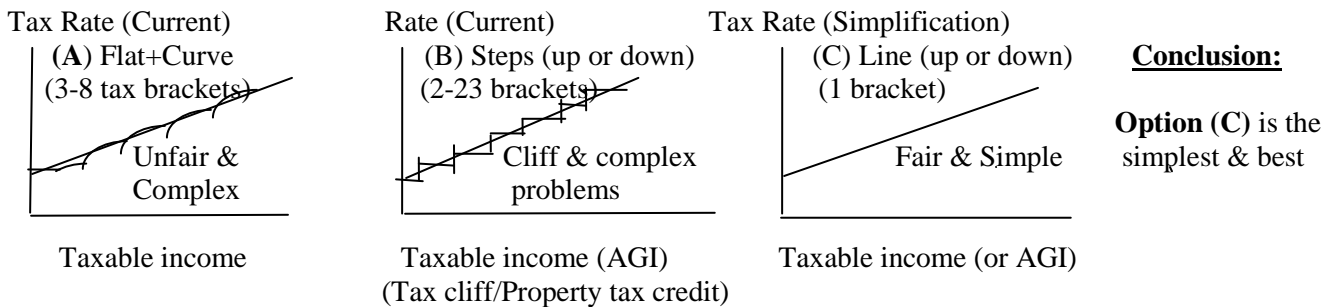
4. **Tax Simplification**

Yearly taxable income is:	Not over $24,000	24,000-72,000	Over $72,000
Tax rate is:	(YTI÷A)+0.0033	(YTI÷C)+0.03005	0.0853-(D÷YTI)

YTI=yearly taxable income, 3 tax rate ranges: 0.0033-0.0392-0.0575-0.0853, A=24,000÷1-st tax rate difference =668,524, B=48,000÷2-nd tax rate difference=2,622,951 and C=72,000×3-rd tax rate difference=2,001.6

5. **Comparison between Existing System and Tax Calculation Simplification**
a) Existing System: Tax Schedules, 13-page Withholding Tables, 5-page Tax Table and computations (Changes)
b) New bill: Only 4 simple formulas (9 brackets→3)

6. **Lawmakers will reduce related political arguments** with 9 (?) tax brackets, TI ranges and tax rates.

7. **Existing 13-page Withholding Tables and related formulas** are replaced by 4 (or 3) simple formulas for companies to save $42 million/year (Value) if at $1/payroll/person to cover 11 areas. (Details: Page 5**)
https://tax.iowa.gov/withholding-tax-information

8. **Postcard (1/2 page) Tax Return (or Tax Withholding Report and Modification)**

9. **Who will have the 15 benefits?** For lawmakers, companies, taxpayers and Department of Revenue State Department of Revenue can save $25 million/year within $95 million/year. (Page 2)

10. **Existing two sub tax systems** are about 13 months apart. This one tax system is for all parties to simplify withholding tax, payroll, withholding report, tax return, analysis, reform and projection with 3 brackets.

11. **Other Applications:** https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wothers.pdf

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IA Income Tax Calculation Simplification (It is added into the existing tax bill*)

       If the yearly taxable income (YTI) is: The tax rate and tax are:

       $24,000 and under $(YTI \div A + 0.003^*) \times TI$

       Over 24,000 and not over $72,000 $(YTI \div C) + 0.03005) \times TI$

       Over $72,000   (Top tax rate - $(D \div YTI)) \times TI$

Wherein YTI=yearly taxable income, YTI=TI×F, TI= taxable income, F=the number of filing period (F=1 for tax returns, 2, 4, 12, 24, 26, 52 or 365 on different basis for withholding taxes), A=24,000÷ 1-st tax rate difference=662,983, C=48,000÷ 2-nd tax rate difference =2,622,951, and D=72,000× 3-rd tax rate difference =2,002 according to 0.003-0.0392-0.0575-0.0853 in 2021, which were 0.0033-0.0396-0.0587-0.0853 in 2019.

*   (1) Existing 9 tax brackets are matched/reduced to 3 (or 2). Tax Table or its formulas (1 option) are used. Companies use the simple formulas to replace existing 13-page Withholding Tables for taxes and payrolls easily. Calculations of withholding taxes, payrolls, tax analysis, reform, and projection are simplified.

     Withholding/Income Tax=(Incomes-Adjustments-(Deductions+Exemptions)÷F)×Tax rate-Tax credits÷F

   (2) Option: Existing 0.0033 may be reduced to 0.003 (or 0.x) to neutral tax revenue. For existing tax rate ranges of 0.0033-0.0392-0.0575-0.0853, A is changed slightly, B and C are the same. Its tax rate formula is: (YTI÷668,524+0.0033. For 0.0027-0.0392, its tax rate formula is: (YTI÷657,534)+0.0027. Low-end incomers can reduce tax rates and taxes without tax revenue reduction. Then the both parties can benefit.
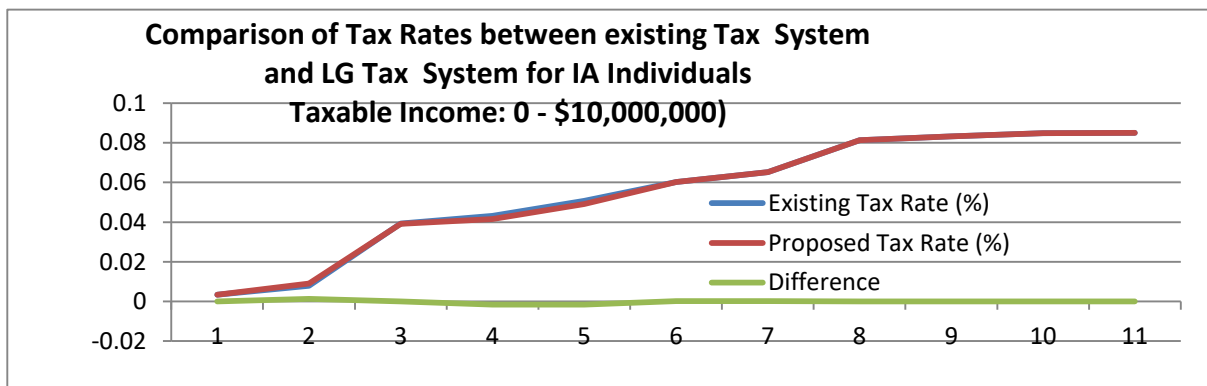
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Comparison between Existing and Simplified Tax Calculation Systems

1) Existing Tax Calculation System: Two sub tax systems of tax schedules, Withholding Tables (13 pages),
                       Tax Table (5 pages) and tax computations with 9 tax brackets

2) – 4) Simplification: 3 formulas to match/simplify the two sub systems and eliminate Withholding Tables

TI×F	1) Existing System	2) 0.33-8.53%	3) 0.3-8.53%	4) 0.27-8.53%	Rate Difference #2/#3/#4 - #1
200	0.0033	0.004048	0.00330	0.003004	0.0007/0.0000/-0.0003
4,000	0.007835	0.009283	0.009033	0.008733	0.0014/0.0012/0.0009
24,000	0.0392117	0.03920	0.03920	0.03920	-0.0000/0.0000/0.0000
30,000	0.043164	0.0414875	0.0414875	0.0414875	-0.0017/-0.0010/-0.0010
50,000	0.050694	0.049112	0.049112	0.049112	-0.0016/-0.0016/-0.0016
80,000	0.0601663	0.060275	0.060275	0.060275	0.0001/0.0001/0.0001
100,000	0.065193	0.06528	0.06528	0.06528	0.0001/0.0001/0.0001
500,000	0.0812786	0.081296	0.081296	0.081296	0.0000/0.0000/0.0000
1,000,000	0.0832893	0.083298	0.083298	0.083298	0.0000/0.0000/0.0000
5,000,000	0.08489786	0.0848996	0.0848996	0.0848996	0.0000/0.0000/0.0000
10,000,000	0.0850989	0.0850998	0.0850998	0.0850998	0.0000/0.0000/0.0000

Comparison of IA Existing and LG Systems (9 tax brackets are reduced to 3)

Comparison of Tax Rates between existing Tax System and LG Tax System for IA Individuals
Taxable Income: 0 - $10,000,000)
— Existing Tax Rate (%)
— Proposed Tax Rate (%)
— Difference

Benefits and Value of Tax Calculation Simplification ($95 Million/Year)

Effective (linear) and gradual (LG) tax simplification has been developed and supported by our 12 publications at http://taxsimplecenter.net/publication.html More tax brackets mean more smooth tax rates, complex, more cost and more tax revenue relatively. Less tax brackets mean rough tax rate changes, simple, less cost and less tax revenue relatively. The LG tax simplification can be used to have many benefits for lawmakers, companies, taxpayers and departments of revenue. Its value ($95 million/year) is based on 1.6 million tax returns per year.

#	Benefits	Value
1.	Existing **9 tax brackets are matched and reduced to 3 or 2 comparably**.	Less time/More simple
2.	**Lawmakers** select tax bracket #, taxable income ranges, tax rates and computations for tax reforms now. With the tax simplification, **only 4 tax rates** are needed for tax projection.	Less time/hustle
3.	Simpler formulas contribute to **Fiscal Note** (by Department of Revenue)	? $5 million
4.	**Withholding Tables** (13 pages) are not needed for companies to have 3 simple formulas with filing period (F) and tax status (S). If at $(1+0.2)/person/period (1.2x26x1.6 million)	$50 million (** Page 5)
5.	**Tax Table** (5 or 3 pages) is optional. Two formulas can be used. If ((1+0.5)x1.6 million):	$2.4 million
6.	Combining two existing sub tax systems (4&5) together without time delay (13 M) for:	Real & quick tax
7.	**One tax credit formula** for simple & complex tax credits (including EITC) (1 non-refundable and 1 refundable tax credit formulas) If ((1.5+0.5)x1.6 million):	$3.2 million
8.	Many incomers with standard deductions and credits (50%) file **simple tax returns/tax withholding report modifications.** If ((15+5)x50%x1.6 million):	$16 million
9.	Postcard (or 1/2 page) tax return form can be used (50%). If ((10+4)x50%x1.6 million):	$11.2 million
10.	**Tax Status** (S) is numbered with such as 2 for Married Filing Jointly or 1 for Single. (Also more detail numbers can be applied for Standard Deductions). If ((1+0.5) x1.6 million):	$2.4 million
11.	**A checking tool** of two tax rate ranges (0.33%-4.33%-5.87%-8.53%) is provided to check and reduce tax rate and tax calculation mistakes. If ((2+1)x1.6 million):	$4.8 million
12.	**Fraud crime** is inspected and reduced by comparing tax returns and tax withholding reports.	Less crime
13.	Tax refunds with $100 or less are delayed to next-year refunds (Postcard Form).	Less time/cost
14.	State Department of Revenue will process less tax returns during busy tax season and have more time to inspect more tax returns for possible more taxes.	More tax
15.	The LG tax simplification can be used to simplify tax calculation, payroll, tax analysis, tax reform and projection.	Less time/costs

Total: Less time/hustle, less mistake, less crime, less cost, more tax and $95 million/year
(To Department of Revenue: $25.8 million/year)

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Summary for IA Tax Calculation Simplification

Existing IA tax system has 9 tax brackets, 13-page Withholding Tables, and 5-page Tax Table, which are complex. Tax brackets, tax rates, taxable income ranges, tables, analysis, and projection are related each other.

Tax simplification has been developed with smooth tax rates, which can reduce existing 9 tax brackets of 0.033%, 0.67%, 2.25%, 4.14%, 5.63%, 5.96%, 6.25%, 7.44%, and 8.53% (2019-2021) or 0.036%, 0.72%, 2.43%, 6.12%, 6.48%, 6.80%, 7.92%, and 8.98% (2018) to 3 (or 2) comparably, simplify IA tax system, reduce political arguments, eliminate withholding and tax tables, and save millions of dollars. The 3 tax rate ranges of 0.33%-3.92%-5.75%-8.53% in 2021 or 0.33%-3.96%-5.87%-8.53% in 2019 are used as a checking tool to reduce calculation mistakes. A filing # of 365, 52, 26, 24, 12, 4, 2, or 1 is used to match and simplify existing Withholding Tables (13 pages). 3 or 2 tax rate brackets/ranges are good enough. Many taxpayers with standard deductions may not need to file normal tax returns and do modifications with Withholding Tax Report. Dept of Revenue may process less normal tax returns (goal: 50%) during busy tax seasons and inspect more tax returns.

FORM IA-1040   IOWA INDIVIDUAL INCOME TAX RETURN

Check one: Married Filing Separately/Single Married filing jointly Head of household
Standard deduction ($)   2,130   5,240   5,240   **Form Barcode**
Standard exemption ($):
Tax credit ($): 40/Dependent #____ ; 20/Senior 65 or older #_____ and/or Blind #_____

Address:

A	B	C	D	E	F	G	
Year	Your Name	SS#	Spouse Name	Spouse SS#	Exemptions		1
2022							2
Gross income You/Spouse	Adjustments You/Spouse	Federal addition and deduction	Standard/Itemized Deduction	Taxable income You/Spouse	Partial/Non Resident,%	Credits: for F3	3
							4
							5
YTI	Yearly TI range		LG tax rate formula	Tax rate check	Tax rate	Tax	6
You/Spouse	0-24,000		YTI÷662,983+0.003	0.003-0.0392	You/Spouse	You/Spouse	7
	24,000-72,000		YTI÷2,622,951+0.03005	0.0392-0.0575			8
	Over 72,000		0.0853-2,002/TI/F	0.0575-0.0853			9
Non-refundable tax credits	Tax balance <0, enter 0	Contributions You/Spouse	Refundable tax credits You/Spouse	Tax refund (last year):≤$100	IA withheld tax (W-2)	Tax(Owe+ /Refund-)	10
							11
				(Together)		(Together)	12

(1) Taxable income (E4/5) = YTI = A4/5 ± B4/5 ± C4/5- D4/5 – F2
(2) Tax balance (B11/12)=Tax-Partial/Non-resident credit-Non-refundable tax credits
(3) Tax (Owe+/Refund-) = B11/12+C11/12-D11/12-E11-F11/12
(4) Attach related documents except standard deduction. If tax refund (G11) is not over $100, **Tax Return**
delay it to next year (E11) and file tax return. If tax refund is over $100, please fill in: **Barcode**

Bank routing#_____, Account #_____, Name_____

Signature: Your_____ **Spouse**_____ **Date**_____
Third-party
preparer name_____ Address_____

EIN/SS#_____ Phone#_____ Date_____ Signature_____

Tax Reform, Analysis, Budget, and Projection:

Total Tax $= 0.003\sum(TIa) + \sum(TIa)^2 \div 662,983 + 0.03005\sum(TIb) + \sum(TIb)^2 \div 2,622,951 + 0.0853\sum(TIc) - 2,002\ C$

There are 3 tax rate ranges of 0.003-0.0392-0.0575-0.0853, which can be adjusted for tax revenue and budget. Above a, b and c are tax return numbers with 0-24,000-72,000-. Then calculations of withholding taxes, payrolls, tax analysis, reform, and projection are simplified with the 3 brackets instead of existing 9 brackets.

**   Existing 13-page withholding tables can be eliminated for significant savings for Department of Revenue and companies to file withholding taxes. Existing 13-page withholding table and related formulas (10x6) can be replaced by the two formulas and one withholding income tax formula to cover all allowances. After the formulas are set in such as Excel or Spreadsheet, related calculations are repeated simply. Related costs **$50 million** (=1.2x26x1.6 millions, 26 is biweekly filing and 1.6 millions are tax returns) from (1) making the 13-page table, (2) publication, (3) checking tax numbers under 0-10 allowances (>10?), (4) inputs, (5) using calculation formulas (10x6+) for high incomes and the >10, (6) filings, (7) transfers, (8) rechecking mistakes, (9) data analysis, (10) software, and (11) tax recalculations can be reduced for Dept of Revenue and companies.

Withholding/Income Tax=(Incomes-Adjustments-(Deductions+Exemptions)÷F)×Tax rate-Tax credits÷F

*** Existing 3 tax rate ranges of 0.0033-0.0392-0.0575-0.0853 at 0-24,000-72,000- may be reduced to 2 tax rate ranges such as 0.003-0.0532-0.0853 at 0-60,000-. The 3 formulas are reduced to 2:

If the yearly taxable income (YTI) is:	The tax rate and tax are:	Tax rate range:
Not over $60,000r	$(YTI \div D + 0.003) \times TI$	0.3% - 5.32%
Over $60,000	$(0.0853 - (C \div YTI)) \times TI$	5.32% - 8.53%

D (constant)=60,000 ÷ 1-st tax rate difference=60,000÷(0.0532-0.003)=1,195,219 and
C=60,000 × 2-nd tax rate difference=60,000×(0.0853-0.0532)=1,926

Tax Reform, Analysis, Budget, and Projection:

Total Tax $= 0.003\ \text{Sum}(YTId) + \text{Sum}(YTId)^2 \div 1,195,219 + 0.0853\text{Sum}(YTIc) - 1,926\ C$

There are 2 tax rate ranges of 0.003-0.0532-0.0853, which can be adjusted for tax revenue and budget balance. The above d and c are tax return numbers for not over and over $60,000. Another option may be 0-0.054-0.0853 (needing to check tax revenue and adjust). Calculations of withholding taxes, payrolls, tax analysis, reform, and projection are simplified with the 2 brackets instead of existing 9 brackets.

More information: www.taxsimplecenter.weebly.com or questions: johnlee1040@yahoo.com or 913-710-0957