

Summary: One simple slope formula is used to match ID tax systems fairly and efficiently for replacing existing 5 tax brackets, 10 taxable income ranges (**Problem #1: too many ranges**), 60 (5×2×6) withholding formulas (**Problem #2: too many formulas**), and 24-page Withholding Tables (**Problem #3: too many pages**).

1. A bill for an act relating to income taxation for calculating individual income tax rate and tax.
2. A tax is hereby imposed for every tax year on the Arkansas taxable income of every resident.
3. The tax shall be determined by applying the tax rate and tax formulas provided in this section,
4. which is based upon the following tax rate and tax:
- 5.
6. For tax year 2021-2025: <https://tax.idaho.gov/i-1110.cfm>
7. Single Persons including Head of Household: Married Persons:
8. ~~\$1 to \$1,588 1.0% of yearly taxable income \$1 to \$3,176 1.0% of yearly taxable income (YTI)~~
9. ~~\$1,588 to \$4,763 15.88+3.1% (YTI 1,588) \$3,176 to \$9,526 31.76+3.1% (YTI \$3,176)~~
10. ~~\$4,763 to \$6,351 114.32+4.5% (YTI 4,763) \$9,526 to \$12,702 288.64+4.5% (YTI \$9,526)~~
11. ~~\$6,351 to \$7,939 185.77+5.5% (YTI 6,351) \$12,702 to \$15,878 371.54+5.5% (YTI \$12,702)~~
12. ~~Over \$7,939 273.10+6.5% (YTI 7,939) Over \$15,878 546.20+6.5% (YTI 15,878)~~
- 13.
14. 2020 Single Persons including Head of Household: Married Persons:
15. ~~\$1 to \$1,568 1.125% of YTI \$1 to \$3,176 1.0% of YTI~~
16. ~~\$1,568 to \$3,136 \$17.64+3.125% (YTI 1,568) \$3,136 to \$6,272 25.28+3.125% (YTI \$3,136)~~
17. ~~\$3,136 to \$4,704 \$66.64+3.625% (YTI 3,136) \$6,272 to \$9,408 133.28+3.625% (YTI \$6,272)~~
18. ~~\$4,704 to \$6,272 \$123.48+4.625% (YTI 4,704) \$9,408 to \$12,544 246.96+4.625% (YTI \$9,408)~~
19. ~~\$6,272 to \$7,840 \$196.00+5.625% (YTI 6,272) \$12,544 to \$15,680 392.00+5.625% (YTI \$12,544)~~
20. ~~\$7,840 to \$11,760 \$284.20+6.625% (YTI 7,840) \$15,680 to \$23,520 568.40+6.625% (YTI 15,680)~~
21. ~~Over \$11,760 \$543.90+6.925% (YTI 11,760) Over \$23,520 1,087.80+6.925% (YTI 23,520)~~
- 22.
23. 2019-2013 had changeable taxable income ranges, tax rates and formulas yearly, which were complex.
24. <https://tax.idaho.gov/i-1110.cfm>
25. The above non-smooth tax rate changes are matched and simplified to their smooth tax rate changes.
26. If the yearly taxable income (YTI) ÷ S is: The tax rate and tax are: 2021 Tax rate range:
27. Not over \$9,000 (YTI÷S÷C + BR) × TI 1% - 3.8%
28. Over \$9,000 (TR - (D×S÷YTI)) × TI 3.8% - 6.5%
- 29.
30. YTI is the yearly taxable income and S is status # (1 for Single Persons including Head of Household or 2
31. Married Persons. Tax rates at bottom (BR), top (TR) and \$9,000 are 1%, 6.5% and 3.8% in 2021.
32. C is 321,429 from 9,000 to divide (÷) the 1-st tax rate range difference (0.038-0.01). D is 243 from 9,000
33. to multiply (×) the 2-nd tax rate difference (0.065-0.038). C and D are constants.
34. YTI is equal to TI×F, TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
35. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

Examples:**Tax rate and tax are:**

1. YTI=\$8,765 (S=1): $(8,765 \div 1 \div 321,429 + 0.01) \times 8,765 = 0.03726885 \times 8,765 = 326.66$
2. Bi-weekly TI is \$2,500 (S=2): $(0.065 - 243 \times 2 \div 2,500 \div 26) \times 2,500 = 0.057523 \times 2,500 = 143.81$
3. Monthly TI is \$6,000 (S=1): $(0.065 - 243 \times 1 \div 6,000 \div 12) \times 6,000 = 0.061625 \times 6,000 = 369.75$

Notes:

1. Idaho has 5-7 tax brackets (various and changeable tax rates from 2012 to 2021), 60 (5×2×6) formulas, different 10-14 tax rate ranges, 24-page Withholding Tables, and 12-page Tax Table, which can be matched and simplified with 2 brackets and formulas (1%-3.8%-6.5% in 2021)*. Their reduction is 98% (1-(2÷5)(2÷60)).

2. With this simplification, the 60 (5×2×6) formulas, 10 tax rate ranges, and 24-page Withholding Tables can be eliminated and replaced by the 2 formulas. At \$9,000, tax rate is 0.038 from $(273.10+6.5\% (9,000-7,939))/9,000$ and existing tax rate ranges may gain tax revenue slightly. 1% may be reduced to 0.9% to have neutral tax revenue and to help low-end incomers to reduce tax rates and taxes slightly according to its Fiscal Note from the Department of Revenue. Other incomers have no rate and tax difference.

https://tax.idaho.gov/pubs/EPB00745_07-13-2021.pdf

https://tax.idaho.gov/pubs/EPB00744_07-07-2021.pdf

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

3. The two brackets and formulas and the following formula are used to calculate withholding taxes with Standard deductions, exemptions and tax credits and income taxes for tax returns with actual deductions, exemptions and tax credits. $(\text{Incomes} \pm \text{Adjustments} - (\text{Deductions} + \text{Exemptions}) \div F) \times \text{Tax rate} - \text{Tax credits} \div F$

https://tax.idaho.gov/pubs/EPB00745_07-13-2021.pdf

4. Existing Tax Table (12 pages) or one simplified formula is for people to have one option. The 12 pages may be reduced to 6 pages. https://tax.idaho.gov/forms/EIN00046_12-21-2020.pdf

5. For over \$9,000×S, the same tax formula is converted into tax rate and tax format.

$(273.10+6.5\% (YTI-7,939) = (0.065 - 243 \div YTI) \times YTI$ into $(0.065 - (D \times S \div YTI)) \times TI$)

6. 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

This bill matches and simplifies existing 5-7 tax brackets, 10-14 tax rate ranges, 60 (5×2×6) formulas, and 24-page Withholding Tables with 2 formulas and brackets. Tax statuses are numbered with 1 or 2. Payrolls, withholding reports, tax returns, tax analyses, tax reforms and tax projections are simplified. A checking tool is provided to reduce calculation mistakes. For a tax reform, only 3 tax rates at bottom, top and \$9,000 are adjusted to meet a related tax projection by lawmakers.

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