IL Tax Calculation Simplification

A. Existing tax system and its simplification: IL tried to reform a flat rate at 4.95% to the graduated rates with 6 tax brackets with "Fair Tax". But new 6 tax brackets are complex and confused. Also top tax rate at 7.99% is too high. The tax bill was not past by the election on Nov. 3, 2020.

Taxable incomes:	<$10 K	$10-$100 K	$100-$250 K	$250-$350 K	$350-$750 K	over $750 K
Tax rates:	4.75%	4.9%	4.95%	7.75%	7.85%	7.99%

https://www.ilga.gov/legislation/publicacts/101/PDF/101-0008.pdf (Pages 36 and 37)

Also existing 18-page Withholding Tables (0-10 Allowances) are used for employers to calculate withholding taxes and payrolls, which are complex.

B. Several simplification options can be designed to meet IL needs.

Option #1: Tax rate ranges at 4.75%-5.75%-6.75% at taxable incomes not over and over $120,000

If the yearly net income is:	The tax rate and tax are:
Not over $120,000×S	$((YNI \div S \div C) + 0.0475) \times NI$
Over $120,000×S	$(0.0675 - (D \times S \div YNI)) \times NI$

Wherein YNI=yearly net income, S=status (1 for Single Filers or 1.5 for Married Joint Filers), $YNI=NI \times F$, NI=net income, F= filing period (1 (for tax returns), 2, 4, 12, 24, 26, 52 or 365 (for withholding taxes, there are two tax rate ranges of 0.0475-0.0575-0.0675.
C is 12,000,000 from 120,000÷1-st tax rate difference (0.0575-0.0475)=12,000,000. D is 1,200 from 120,000×2-nd tax rate difference (0.0675-0.0575).

Total Tax=Sum(YNIa÷S÷C)+0.0475)YNIa + Sum(0.0675 YNIb-D×S)

Net incomes are not over $24,000 (S=1) or $36,000 (S=1.5), tax rates are 4.75%-4.95% from existing 4.95%.

Option #2: Tax rate ranges at 4.5%-5.5%-6.5%

Not over $120,000	$((YNI \div S \div C) + 0.045) \times NI$
Over $120,000	$(0.065 - (D \times S \div YNI)) \times NI$

There are two tax rate ranges of 0.045-0.055-0.065. C is 12,000,000 from 120,000÷(0.055-0.045). D is 1,200 from 120,000×(0.065-0.055).

Option #3: Tax rate ranges at 4.75%-5.75%-6.95% (or another top tax rate)

Not over $120,000	$((YNI \div S \div C) + 0.0475) \times NI$
Over $120,000	$(0.0695 - (D \times S \div YNI)) \times NI$

There are two tax rate ranges of 0.0475-0.0575-0.0695. D is 1,440 from 120,000×(0.0695-0.0575).

C. Existing 18-page Withholding Tables (0-10 Allowances) can be eliminated for employers to calculate withholding taxes and payrolls simply.
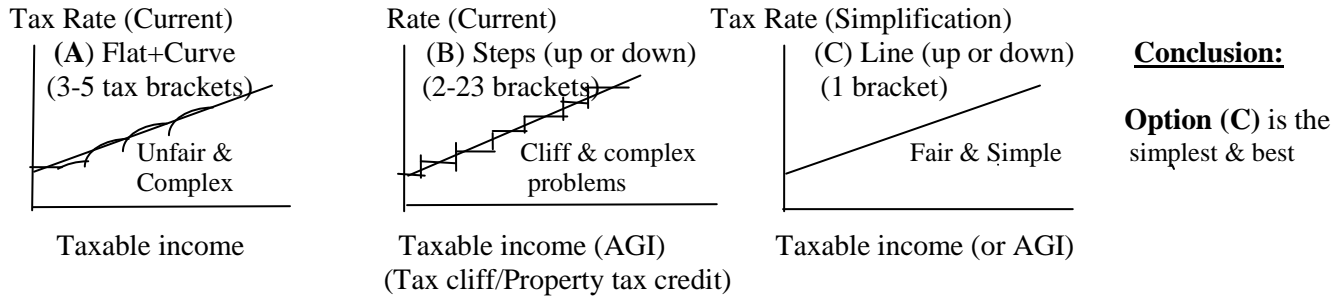
https://www2.illinois.gov/rev/forms/withholding/Documents/currentyear/IL-700-T.pdf

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

D. 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 brackets **are unfair and complex.** (FIG. 1)

E. 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 **saving value** (xxx million/year) is based on 6 million tax returns per year in IL.

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

Tax Rate (Current)   Rate (Current)   Tax Rate (Simplification)   **Conclusion:**

(A) Flat+Curve   (B) Steps (up or down)   (C) Line (up or down)
(3-5 tax brackets)   (2-23 brackets)   (1 bracket)   **Option (C)** is the
                      Unfair &   Cliff & complex   Fair & Simple   simplest & best
                      Complex   problems

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

G.   **FORM IL-1040   INDIVIDUAL INCOME TAX RETURN**

B.   O Married filing separately O Single O Married filing jointly O Widowed O Head of household
Single/Joint filer # (S):   1   1   1.5   1   1
C. Check If someone can claim you, or your spouse if filing jointly, as a dependent. O You O Spouse **Form Barcode**
D. Check the box if this applies to you: O Nonresident   O Part-year resident - Attach Sch. NR
E. Standard exemption ($): O Single filer: $2,775 or O Joint filer: $4,550   (O Dependent:$0)
F. Additional exemptions ($): Blind: $1,000/person___   65 or older: $1,000/person___

Address:

A	B	C	D	E	F	G	
Year	Your Name	Birthday	Your SS#	Spouse Name	Birthday	Spouse SS#	1
							2
Federal AGI	Additional incomes	Subtractions (Base Income)	Standard / Itemized exemptions	Additional exemptions	Part/Non resident	Net income (Yearly NI)	3
							4
YNI ÷ S	Yearly NI÷S	YNI (G4)	LG tax rate formula	Tax rate check	Tax rate	Tax	5
	0 - 120,000		YNI÷12,000,000÷S+0.0475	0.0475-0.0575			6
	over 120,000		0.0695 - 1,440×S÷YNI	0.0575-0.0695			7
Non-refund tax credits	Tax balance If <0,enter 0	Other taxes and Donation	Tax refund (last year): not over $100	State tax withheld (W-2/1099s)	Refundable tax credits	Tax (Owe+/ Refund-)	8
							9

(1) Net income (Yearly)=A4+B4-C4-D4-E4-F4   (3) Tax (Owe+/Refund-)=B9+C9-D9-E9-F9
(2) Tax balance (B9)=Tax – A9 (must be 0 or more than 0)
(4) Attach related documents except standard exemptions. If tax refund (G9) is not over $100,   **Tax Return**
file tax return and delay the refund to next year (D9). 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_____

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