

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

**Summary:** KS has 3 (up to 8) tax brackets (**Problem #1: various bracket numbers**), 48 (3×2×8) withholding formulas (**Problem #2: too many formulas**), 22-page Withholding Tables (**Problem #3: too many pages**), 8-page Tax Table, and other tax problems. One simple linear formula and one existing formula with 2 brackets can be used to match/simplify existing tax system fairly and efficiently with 96% (1-2/48) simplification and 15 benefits to save \$90 million (Paper: Table 6).

1. An ACT concerning income taxation; relating to individual tax rates and taxes.
2. Be it enacted by the Legislature of the State of Kansas:
3. Section 1. K.S.A. 2017 Supp. 79-32,110 is hereby amended to read as follows: 79-32,110.
4. (a) Resident Individuals. Except as otherwise provided by K.S.A. 79-32,220(a), and
5. amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident
6. individual, which tax shall be computed in accordance with the following tax schedules:
7. ~~(1) Married individuals filing joint returns. Semi yearly .....~~
8. (G) For yearly tax year ~~2018~~ 2024, and all tax years thereafter: ~~Quarterly .....~~
9. If yearly taxable income is: The tax is: ~~Monthly .....~~
10. ~~Not over \$30,000 ..... 3.1% of Kansas taxable income .....~~
11. ~~\$30,000 - \$60,000 ..... \$930 plus 5.25% of excess over \$30,000 Weekly .....~~
12. ~~Over \$60,000 ..... \$2,505 plus 5.7% of excess over \$60,000 Daily .....~~
13. ~~13.~~
14. ~~(2) All other individuals. Semi yearly .....~~
15. (G) For tax year ~~2018~~, and all tax years thereafter: ~~Quarterly .....~~
16. If yearly taxable income is: ~~Monthly .....~~
17. ~~Not over \$15,000 ..... 3.1% of Kansas taxable income Semi monthly .....~~
18. ~~\$15,000 - \$30,000 ..... \$465 plus 5.25% of excess over \$15,000 .....~~
19. ~~Over \$30,000 ..... \$1,252.5 plus 5.7% of excess over \$30,000 Daily .....~~
- 20.
21. If annual taxable income is: The tax rate and tax are: Tax rate range:
22. Not over \$30,000 × S (ATI÷S÷C + B) × TI 3% - 4.175%
23. Over \$30,000 × S (T - (D×S÷ATI)) × TI 4.175% - 5.5%
- 24.
25. ATI is the annual taxable income and S is status number (2 for married individuals filing joint
26. returns or 1 for all other individuals). Bottom tax rate B is 3%. Top tax rate T is 5.5%.
27. C is 2,553,191.5 from 30,000 to divide (÷) the 1-st tax rate range difference (0.04175-0.03) for
28. neutral tax revenue change. D is 397.5 from 30,000 to multiply (×) the 2-nd tax rate range difference
29. (0.055-0.04175). Tax rate ranges are 3%-4.175%-5.5% for not over and over \$30,000×S.
30. ATI is TI×F. TI is taxable income. F is filing period (on 1, 2, 4, 12, 24, 26, 52 or 365 basis).
- 31.
32. When current year individual income tax revenue is reduced by more than one hundred fifty dollars (or
33. another #) comparing with its prior year, individual income tax calculation is as follows:
- 34.
35. If annual taxable income is: The tax rate and tax are: Tax rate range:
36. Not over \$50,000 × S (ATI÷S÷C + B) × TI 3% - 4.785%
37. Over \$50,000 × S (T - (D×S÷ATI)) × TI 4.785% - 5.7%
- 38.

39. Bottom B tax is 3%. Top tax rate T is top tax rate 5.7%. C is 2,801,120 from 50,000 to divide (÷) the 1-st
40. tax rate range difference (0.04785-0.03) for neutral tax revenue change or 2,967,359 from
41. 50,000÷(0.04785-0.031). D is 457.5 from 50,000 to multiply (×) the 2-nd tax rate range difference
42. (0.057-0.04785). Tax rate ranges are 3%-4.785%-5.7% for not over and over \$50,000×S.
- 43.
44. When current year individual income tax revenue is reduced by less than one hundred fifty dollars (or
45. another #) comparing with its prior year, which is deducted from current tax revenue surplus, individual
46. income tax rate ranges are 3%-4.175%-5.5% for not over and over \$30,000×S.

(Modifications are possible, which need your inputs!)

**A. Examples with 3%-4.175%-5.5%: Tax rate and tax are:**

1. ATI=\$38,500:  $(ATI \div S \div C + 0.03) \times TI = (38,500 \div 1 \div 2,553,191.5 + 0.03) \times 38,500 = 0.04508 \times 38,500 = 1,735.55$
2. ATI is \$120,000 (S=2):  $(0.055 - 397.5 \times 2 \div 120,000) \times 120,000 = 0.048375 \times 120,000 = 5,805.00$
3. Biweekly TI is \$1,481 (S=1):  $(1,481 \times 26 \div 1 \div 2,553,191.5 + 0.03) \times 1,481 = 0.04508 \times 1,481 = 66.77$
4. Monthly TI is \$10,000 (S=2):  $(0.055 - 397.5 \times 2 \div (10,000 \times 12)) \times 10,000 = 0.048375 \times 10,000 = 483.75$

**B. Examples with 3%-4.785%-5.7%: Tax rate and tax are:**

1. ATI=\$38,500:  $(ATI \div S \div C + 0.03) \times TI = (38,500 \div 1 \div 2,801,120 + 0.03) \times 38,500 = 0.0437445 \times 38,500 = 1,684.16$
2. ATI is \$120,000:  $(0.057 - D \times S \div ATI) \times TI = (0.057 - 457.5 \times 2 \div 120,000) \times 120,000 = 0.049375 \times 120,000 = 5,925.00$
3. Biweekly TI is \$1,481 (S=1):  $(1,481 \times 26 \div 1 \div 2,801,120 + 0.03) \times 1,481 = 0.0437466 \times 1,481 = 64.79$
4. Monthly TI is \$10,000 (S=2):  $(0.057 - 457.5 \times 2 \div (10,000 \times 12)) \times 10,000 = 0.049375 \times 10,000 = 493.75$

**\*Notes:**

1. With this simplification, existing 48 (3×2×8) formulas, 3 (up to 8 during the past 80 years) tax brackets, 6-16 taxable income ranges, 22-page Withholding Tables, and 8-page Tax Table can be matched and simplified by 2 fair\*\* brackets and formulas by more than **96% reduction** (1-(2÷48)) **to save \$90 million** (Table 6\*\*).

The tax rate ranges of 3.1%-4.785%-5.7% for not over and over \$50,000 from existing SB 30 will increase tax revenue slightly (~\$5 million/year from the evaluation of KS Department of Revenue). 3.1% may be reduced to 3%-4.785%-5.7% to have neutral tax revenue change and help low-end incomers to reduce tax rates and taxes slightly according to its evaluation. Other incomers have no tax rate and tax difference.

[http://kslegislature.org/li\\_2018/b2017\\_18/measures/documents/sb30\\_enrolled.pdf](http://kslegislature.org/li_2018/b2017_18/measures/documents/sb30_enrolled.pdf) (SB 30)  
[www.kslegislature.org/li\\_2022/b2021\\_22/measures/documents/fisc\\_note\\_hb2572\\_00\\_0000.pdf](http://www.kslegislature.org/li_2022/b2021_22/measures/documents/fisc_note_hb2572_00_0000.pdf)

\*\* 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 and Table 6)

Existing  $(1,252.5 + 5.7\% (YTI - \$30,000) = 0.057 (YTI - 457.5) = (0.057 - 457.5 \div YTI) YTI$  (D=457.5)

2. [www.ksrevenue.org/pdf/kw100.pdf#search=Guide%20to%20Kansas%20Withholding%20Tax%20%28KW-100%29%202020](http://www.ksrevenue.org/pdf/kw100.pdf#search=Guide%20to%20Kansas%20Withholding%20Tax%20%28KW-100%29%202020) is used for withholding taxes currently. Existing Withholding Tables (22 pages) and 48 (3×2×8) formulas can be eliminated and replaced by the above two tax rate and tax formulas for not over and over \$30,000 and the following formula to calculate withholding taxes with Standard Deductions, Exemptions and Tax Credits and income taxes for tax returns (F=1) with actual deductions, exemptions and tax credits.

Withholding or Income Tax =  $(\text{Incomes} \pm \text{Adjustments} - (\text{Deductions} + \text{Exemptions}) \div F) \times \text{Tax rate} - \text{Tax credits} \div F$

4. For existing tax reforms, tax brackets, tax rates, taxable income ranges, 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 research paper \*\* (Page 508).

# KS Tax Problems and Solution with One Simple Linear Formula

**Summary:** One simple and fair linear formula can be used to resolve KS social security (SS) tax cliff, income tax, property tax refund, corporate tax, and seniors' tax return problems. Existing 3 (up to 8) income tax brackets, 48 withholding formulas (2×3×8), 8-page Tax Table, and 22-page Withholding Tables can be matched and simplified with **15 benefits to save \$90 million for KS** (Table 6).

[www.scitcentral.com/documents/5c459df89d622e02616322ed790aa36e.pdf](http://www.scitcentral.com/documents/5c459df89d622e02616322ed790aa36e.pdf)



## 1. Multi-Bracket Personal Income Tax Systems and Solution

### **KS Tax Calculation System:**

3 tax brackets at 3.1%, 5.25% and 5.7% (up to 8 brackets)

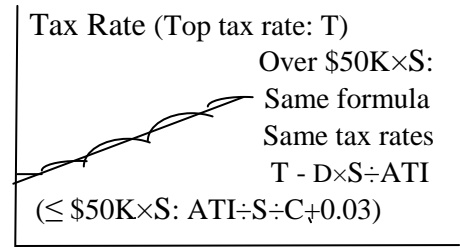
48 withholding formulas (2×3×8)

22-page Withholding Tables and 8-page Tax Table

(At \$50,000, tax rate is 4.785%)      3.1% is reduced to 3%

**Long-term Solution: Two Formulas**      (Neutral tax revenue)

2 formulas and brackets      (S=1 or 2)



Annual Taxable Income (ATI)

## 2. KS Social Security Tax Cliff Problem and Solution

KS has SS tax cliff problem for SS benefit (SSB) rate from 1 (100%) to 0 immediately (Federal Adjusted Gross Income (AGI) subtraction) for AGI not over or over \$75,000. (**HB 2727 in 2022**)

[www.kslegislature.org/li/b2021\\_22/committees/ctte\\_h\\_tax\\_1/documents/testimony/20220314\\_02.pdf](http://www.kslegislature.org/li/b2021_22/committees/ctte_h_tax_1/documents/testimony/20220314_02.pdf)

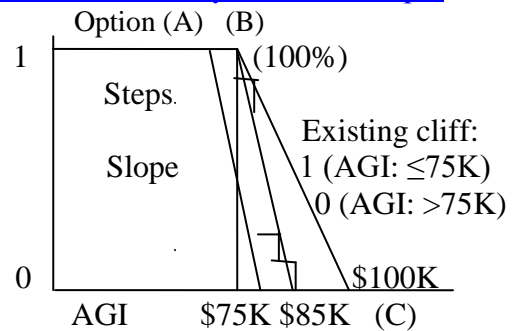
When two AGI values are \$74,999 and \$75,001, **their SS tax difference is \$1,000** for AGI \$75K and SS \$20K at tax rate ~5% (20,000×0.05), **which is totally unfair**. Its tax revenue change (Fiscal Note) and status effect are suggested.

### **Long-term Solution: One linear rate formula**

(C)  $1 - (AGI - 75,000) \div 25,000$  or  $(100,000 - AGI) \div 25,000$

(B) HB 2727 (2022)

[www.kslegislature.org/li/b2021\\_22/measures/documents/ccr\\_2022\\_hb2597\\_s\\_4017](http://www.kslegislature.org/li/b2021_22/measures/documents/ccr_2022_hb2597_s_4017) (Page 48)



## 3. Property Tax Credit/Refund Rate

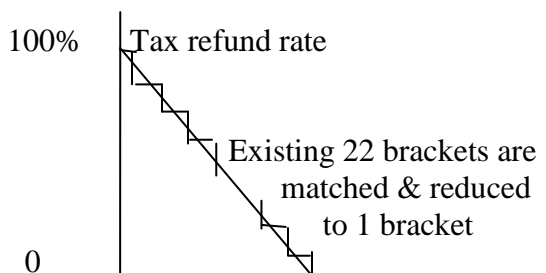
Form K-40H has 23 brackets for Homestead Property Tax Refund.

**K-40H:** For Line 10, % rates are: 100%, 96%, 92%, ... (17 brackets) ..., 10%, 5% or 0% (>\$35,700) in 2019 or 0% (>\$35,001) in 2018

One linear method is used to match the tax refund rates between 100% and 0 gradually **with one bracket**. Then its 22 brackets are simplified to 1 (**95% reduction**).

### Homestead property tax refund rate simplification

Line 10	0 - \$36,000	Over \$36,000
Tax Credit Rate	$1 - (L10 \div 36,000)$	0
	(Neutral tax revenue change)	



**4. Corporate Tax Modification:** Existing 4%-7% is reformed to 3.5%-5.5%-7% (smooth rate change)

**5. Seniors' Tax Return Simplification:** or reduce to 3%-5%-6% (more competitive)

[https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wstate\\_seniortaxreturn8.pdf](https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wstate_seniortaxreturn8.pdf)

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