

Summary of Tax Calculation Simplification for KS (Saving \$90 Million/Year)

<https://taxsimplecenter.net/statetaxsimplification.html> (F....KS)

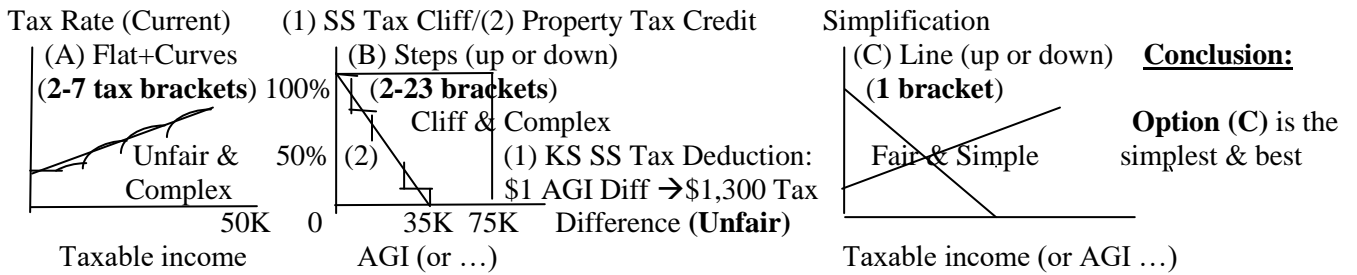
Summary: KS 3-8 tax brackets (the past 80 years), 48 (2×3×8) formulas, 6 taxable income ranges and 22-page Withholding Tables can be matched/simplified by 2 brackets/formulas. Tax status is numbered with 1 or 2. Withholding taxes, payrolls, tax returns, analyses, tax reforms and tax projections can be simplified to reduce related costs from 15 benefits. About \$5 million is gained with 3.1%-5.7% (3%-4.785%-5.7% for neutral tax revenue change). A checking tool is provided to reduce calculation mistakes. For tax reforms, lawmakers need to adjust only 3 tax rates at the bottom, \$50,000 and top.

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 brackets **are unfair and complex**.

(2021 Research Paper at: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf)

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 **saved value \$100 million/year** is based on 1.6 million tax returns per year in KS. (Page 3)

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



4. KS Tax Simplification Yearly taxable income ÷ S is: Not over \$50,000 Over \$50,000
 Tax rate is: (YTI÷S÷C)+0.031 0.057-(D×S÷YTI)

Wherein YTI=yearly taxable income, S=status (2 for married filing joint or 1 for all others), C=50,000 ÷ 1-st tax rate difference (0.04785-0.031)=2,967,359, and D=50,000 × 2-nd tax rate difference (0.057-0.04785)=457.5
 S=2: “\$2,505 plus 5.7% of excess over \$60,000”=2,505+0.057(YTI-60K)=0.057 YTI-915=(0.057-(915÷YTI))×YTI

5. Comparison between Existing System and Tax Calculation Simplification

- a) Existing Tax System: Tax Schedules, 22-page Withholding Tables, 8-page Tax Table and tax computations
- b) New bill: Only 2 brackets

6. Lawmakers will reduce related political arguments with different tax brackets, TI range and tax rates.

7. Existing Withholding Tables (22 pages) are eliminated and replaced for companies to **save \$42 million/year** with 2 brackets if at \$1/payroll/person to cover 11 areas. (Details: Page 5**)

15. Existing two sub tax systems are about 13 months apart. This simplification provides one system to simplify withholding tax, payroll, withholding report, tax return, analysis, reform and projection with the 2 brackets.

16. Other Applications: <https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wothers.pdf>

For more information: www.taxsimplecenter.net or questions: johnlee@taxsimplecenter.net or 913-710-0957

Benefits and Value of Tax Calculation Simplification (Saving \$100 Million/Year)

Effective linear and gradual (LG) tax simplification has been developed, which is supported by our 12 publications at <http://taxsimplecenter.net/publication.html> More tax brackets mean more smooth tax rate changes, 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 dept of revenue. Its saved value (\$95 million/year) is based on 1.6 million tax returns per year.

#	Benefits	Value
1.	Existing 3-8 tax brackets are matched and reduced to 2 comparably and kept. Less time/More simple	
2.	Lawmakers select tax bracket #, taxable income ranges, tax rates and computations for tax reforms. With this tax simplification, only 3 tax rates are needed for tax reforms.	Less time/hustle
3.	Simple formulas contributes to Fiscal Note with 3.1-5.7% (by KS Department of Revenue)	\$5 million
4.	Withholding Tables (22 pages) are not needed and replace with 3 simple formulas with filing period (F) and status (S). If at \$(1+0.2)/person/period (1.2x26x1.4 million)	\$43.7 million (** Page 5)
5.	Tax Table (8 pages) or its simple formula (1 option) is 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 Months):	Real & quick tax
7.	One tax credit formula for different (simple or 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 and modifications. If ((15+5)x50% x1.6 million):	\$16 million
9.	Postcard (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 2 for Married Filing Jointly or 1 for All Other Individuals (More detail numbers may be applied for Standard Deductions). If ((1+0.5) x1.6 million):	\$2.4 million
11.	A checking tool of two tax rate ranges (3.1%-4.785%-5.7%) 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 (Value ?)
13.	Tax refunds with not over \$100 are delayed to next-year refunds.	Less time/cost
14.	Department of Revenue can process less tax returns during busy tax season and have more time to inspect more tax returns for possible more taxes.	More taxes (Value ?)
15.	The LG tax simplification can be used to simplify calculations of withholding tax, payroll, tax analysis, tax reform, budget and projection with 2 brackets.	Less time/costs (Value ?)

Total: Less time/hustle, less mistake, less crime, less cost, more tax and ~\$90 million/year

For more information and questions, contact us at johnlee@taxsimplecenter.net or 913-710-0957.

Summary for KS Tax Calculation Simplification

Existing KS tax system and its simplification: Existing 22-page Withholding Tables, 48 formulas, 8-page Tax Table and different tax brackets (3-8), which are complex, can be matched and reduced to 2 brackets/formulas to simplify KS tax system, **reduce political arguments**, eliminate Withholding Tables and save millions of dollars.

New bill can be used to match/reduce existing tax rates with 2 smooth brackets comparably. Two tax rate ranges of 3%-4.785%-5.7% can be used as a checking tool to reduce calculation mistakes. A filing period (F) of 365, 52, 26, 24, 12, 4, 2, or 1 and tax status (S) # of 1 or 2 are used to calculate income withholding taxes (with standard deductions, exemptions and credits), payrolls and income taxes. F=1 is for tax returns. The two formulas are used simply. Then companies and Department of Revenue can save time and costs.



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

Tax Reform, Analysis, Budget, and Projection:

Total Tax=0.03Sum(YTIa+TIc)+(Sum(YTIa)²+2Sum(YTIc)²)÷5,602,240+0.057Sum(YTIb+YTI d)-457.5(2B+D)

There are 2 tax rate ranges of 0.03-0.04785-0.057, which can be adjusted for tax revenue and budget. Above a and b are tax return numbers for married filing jointly and c and d are for others with YTI÷S not over and over \$50,000. Then calculations of withholding taxes, payrolls, tax analysis, reform, and projection can be simplified.

FORM K-40 KANSAS INDIVIDUAL INCOME TAX RETURN

Check one: Married filing separately Single Married filing jointly Head of household

Tax Status # (S) 1 1 2 1
 Standard deductions (\$) 3,750 3,000 7,500 5,500 **Form Barcode**
 Standard exemptions (\$): 2,250/person__ ; Blind or Disabled:850/person__ ; 65 or older:850/person__

Address:



A	B	C	D	E	F	G	
Year	Your Name	Your SS#	Spouse Name	Spouse SS#	Child #		1
2022							2
Federal AGI	Modifications	Exemptions	Standard/Itemized deductions	Taxable income (YTI)	Credit: Part resident	Credit: Non resident	3
							4
YTI ÷ S	Yearly TI ÷ S	YTI (E4)	LG tax rate formula	Tax rate check	Tax rate	Tax / Table	5
	0 - 50,000		YTI÷2,801,120÷S+0.03	0.03-0.04785			6
	over 50,000		0.057-457.5×S÷YTI	0.04785-0.057			7
Non-refund tax credits	Tax balance If <0, enter 0	Other taxes	State tax withheld (W-2/1099s)	Refundable tax credits	Tax (Refund-)	Tax (Owe)	8
							9

- (1) YTI (E4) = A4±B4-C4-D4 (2) Tax balance (B9)=Tax-Non-refundable tax credits
 (3) Tax (Owe+/Refund-) = B9+C9-D9-E9 (4) Attach necessary documents except standard deduction/exemption. For tax refund (F9), please fill in:

Tax Return Barcode

Bank routing#: _____ Account #: _____ Name _____

Checking or Saving Bank Name: _____ Phone #: _____

Signature: Your _____ **Spouse** _____ **Date** _____

Third-party preparer name _____ Address _____

EIN/SS# _____ Phone# _____ Date _____ Signature _____

Some Confused Questions and Answers

We have done our tax simplification research with 12 publications. Many questions and answers have been discussed at <http://taxsimplecenter.net/publication.html> It has 15 benefits (values: \$95 million/year) for KS, which is based on 1.6 million tax returns/year. Here are answers for some confused questions:

1. Formulas in the new bill are simpler than existing formula? (Yes)

Existing 22-page Withholding Tables and 48 (2×3×8) formulas with 3-8 tax brackets can be eliminated and replaced with the 2 simple formulas/brackets. One existing formula is: Tax=2505+0.057 (YTI-60,000), which is converted to $0.057YTI-915=(0.057-457.5 \times S \div YTI) \times YTI$. We add tax status number (S=2 or 1) for tax simplification. Also a tool is used to check and reduce calculation mistakes. Basic math knowledge is good enough. Another linear formula (the most fair and simple) with smooth tax rate changes is used to match and reduce existing 2-7 tax brackets to 1 with 50%-86% reduction.

<u>Two tax rate formulas for taxpayers</u>	<u>Tax rate check</u>	<u>Taxable income (TI÷S)</u>
#1) $YTI \div S \div A + 0.03$	0.03-0.04785	0 – 50,000 (or using existing Tax Table)
#2)* $0.057 - B \times S \div YTI$	0.04785-0.057	Over 50,000

(* #2 formula is the same as the two existing formulas in different formats.)

YTI=yearly taxable income, S=2 for married filing joint or 1 for all other individuals, A=50,000÷ 1-st tax rate difference (0.04785-0.03)=2,801,120 and B=50,000× 2-nd tax rate difference (0.057-0.04785)=457.5

2. Tax rates in the new bill are fair?

- (1) Existing tax rate change speeds are changeable and unfair and tax rates are unsmooth/rough. Some people, who should pay more slightly, pay less. Others, who should pay less slightly, pay more for not over \$50,000. For over \$50,000, tax rates are the same;
- (2) Effective (linear) and simple tax rates have a straight line, which is the most fair and simple with stable tax rate speed. Existing flat and curve or step tax rates with less or more tax brackets are unfair and complex (FIG 1);
- (3) More tax brackets mean more smooth tax rates, complicated, more cost and more tax revenue relatively. Less tax brackets mean rough tax rates, simple, less cost and less tax revenue relatively; and
- (4) KS has 3-8 brackets during the past 80 years, which can be matched and reduced to 2.

3. How do we have neutral tax revenue or use the \$5 million?

- (1) Existing 3.1%-4.785%-5.7% tax rate ranges are reduced to 3% (or x.x%)-4.785%-5.7% to neutral tax revenue change, which will help low-end incomers to reduce tax rates and taxes slightly;
- (2) When 3 tax brackets are raised to prior 8 (3-8) brackets, more tax revenue is raised at higher cost; or
- (3) We can also keep 3.1%-4.785%-5.7% (2 brackets) and use the \$5 million for related applications.

4. Table and/or Formula?

Existing Tax Table or its formula (1 option) can be used. Some people may still prefer to use Tax Table. There is no or almost no tax rate and tax difference between existing Tax Table and its formula.



** Existing 22-page Withholding Tables and 48 (2×3×8) formulas can be eliminated/replaced by 2 simple formulas for companies and Department of Revenue to save time and costs for withholding taxes. After the formulas are set in Excel, Spreadsheet or software, related calculations can be repeated simply. Related value of \$43.7 million (=1.2x26x1.4 millions, 26 is biweekly filing and 1.4 millions are employment #) is from (1) making the 22 page table, (2) publication, (3) checking tax numbers under 0-10 allowances, (4) inputs, (5) using calculation formulas for relatively high incomes and allowances >10, (6) filings, (7) checking mistakes, (8) tax recalculations, (9) software, and (10) data analysis.

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

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