

LOUISIANA BILL NO. _____ Personal Income Tax Simplification

Summary: One linear formula and one existing formula are used to match LA tax systems efficiently for replacing existing 3 tax brackets, 12 taxable income ranges (**Problem #1: too many ranges**), 72 (3×4×6) withholding formulas (**Problem #2: too many**), 25-page Withholding Tables (**Problem #3: too many pages**).

1. A bill for an act relating to income taxation for individual income tax rate and tax. A tax is
2. hereby imposed for every tax year on the taxable income of every resident. The tax shall be
3. determined by applying the tax rate and tax formulas provided in this section, which is based
4. upon the following tax rate and tax:

5. For tax year ~~2020~~-2025, and all tax years thereafter:

~~6. If the taxable income is: _____ The tax is:~~

~~7. (1) Single income tax brackets~~

~~8. Not over \$12,500 2% of taxable income (TI)~~

~~9. Over \$12,500 but not over \$50,000 \$250 plus 4% of excess over \$50,000~~

~~10. Over \$50,000 \$1,750 plus 6% of excess over \$50,000~~

~~11. (2) Married filing jointly income tax brackets~~

~~12. Not over \$25,000 2% of taxable income (TI)~~

~~13. Over \$25,000 but not over \$100,000 \$500 plus 4% of excess over \$100,000~~

~~14. Over \$100,000 \$3,500 plus 6% of excess over \$100,000~~

~~15. (3) Married filing separately income tax brackets~~

~~16. Not over \$12,500 2% of taxable income (TI)~~

~~17. Over \$12,500 but not over \$50,000 \$250 plus 4% of excess over \$50,000~~

~~18. Over \$50,000 \$1,750 plus 6% of excess over \$50,000~~

~~19. (4) Head of household income tax brackets~~

~~20. Not over \$12,500 2% of taxable income (TI)~~

~~21. Over \$12,500 but not over \$50,000 \$250 plus 4% of excess over \$50,000~~

~~22. Over \$50,000 \$1,750 plus 6% of excess over \$50,000~~

~~23. _____~~

24. If the yearly taxable income (YTI) is: The tax rate and tax are: Tax rate range:

25. Not over \$50,000×S (YTI÷S÷C + 0.02) × TI 2% - 3.5%

26. Over \$50,000×S (0.06 - (D×S÷YTI)) × TI 3.5% - 6%

27. _____

28. YTI is the yearly taxable income. S is status # (2 for Married filing jointly or 1 for others).

29. C is 3,333,333 from 50,000 to divide the 1-st tax rate range difference (0.035-0.02). D is 1,250 from

30. 50,000 to multiply the 2-nd tax rate range difference (0.06-0.035).

31. There are 2 tax rate ranges of 0.02-0.035-0.06 for taxable incomes not over and over \$5,000×S.

32. YTI=TI×F. TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,

33. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

Examples:

Tax rate and tax are:

1. YTI=\$48,000 (S=1): (48,000÷1÷3,333,333+0.02)×48,000=0.0344×48,000 = 1,651.20

2. Bi-weekly TI is \$4,700 (S=2): (0.06 - 1,250×2÷4,700÷26)×4,700=0.0395417×4,700 = 185.85

3. Monthly TI is \$4,000 (S=1): (4,000×12÷1÷3,333,333+0.02)×4,000=0.0344×4,000 = 137.60

Notes:

1. Louisiana has simple 3 tax brackets with 2%, 4% and 6%. But existing Withholding Tables have 25 pages at [www.revenue.louisiana.gov/TaxForms/1306\(7-09\)W.pdf](http://www.revenue.louisiana.gov/TaxForms/1306(7-09)W.pdf) and existing Tax Table has 16 pages at [www.revenue.louisiana.gov/TaxForms/IT540iTT\(2020\).pdf](http://www.revenue.louisiana.gov/TaxForms/IT540iTT(2020).pdf) (complex), which have non-smooth tax rate changes.

2. With this simplification, the 25-page Withholding Tables and related 96 (3x4x6) formulas can be eliminated and replaced by the two simple formulas of $(YTI \div S \div C + 0.02) \times TI$ and $(0.06 - (D \div YTI)) \times TI$ for not over and over \$50,000 (YTI ÷ S) with smooth tax rate changes. Existing 2%-4%-6% tax rates may be reduced to 1.8%-3.5%-6% to help low-end incomes at slight low tax rates and taxes with neutral tax revenue change, which depends on its Fiscal Note from Department of Revenue.

3. Existing Tax Table has 16 pages. The Tax Table or its one formula is used for people to have one option. The 16 pages may be matched and reduced to 8 or 4 pages.

4. For over \$50,000xS, the same tax formula is converted into tax rate and tax format.

$$(\$1,750 + 6\% (YTI - \$50,000)) = (0.06 - 1,250 \div YTI) \times YTI \text{ into } (0.06 - (D \times S \div YTI)) \times TI$$

5. Comparison of existing and simplified tax rate calculations

YTI ÷ S	1) Existing 2-6%	2) Simplified 2%-6%	2) Simplified 1.8-6%	Rate Difference #2/#3 - #1
1,000	0.02	0.0203	0.01834	0.0003 / (-0.0016)
5,000	0.02	0.0215	0.0197	0.0015 / (-0.0003)
12,500	0.02	0.02375	0.02225	0.00375 / 0.00225
30,000	0.031666667	0.029000001	0.0282	(-0.0027) / (-0.0035)
50,000	0.035	0.035000002	0.035	0 / 0 / 0
75,000	0.043333333	0.043333333	0.043333333	0 / 0 / 0
100,000	0.0475	0.0475	0.0475	0 / 0 / 0
200,000	0.05375	0.05375	0.05375	0 / 0 / 0
500,000	0.0575	0.0575	0.0575	0 / 0 / 0
1,000,000	0.05875	0.05875	0.05875	0 / 0 / 0
5,000,000	0.05975	0.05975	0.05975	0 / 0 / 0

Bill Summary

This bill matches and simplifies existing 3 tax brackets, 12 taxable income ranges, 72 (3x4x6) withholding formulas, and 25-page Withholding Tables with 2 formulas and brackets. Existing 4 tax statuses are numbered with 2 or 1. 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, 3 tax rates at bottom, top and \$50,000 are adjusted to meet a related tax projection by lawmakers.

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

Business Income Tax Simplification

Summary: One simple slope formula is used to match LA tax system fairly and efficiently for replacing existing 5 tax brackets and 30 (5×6) withholding formulas.

[https://revenue.louisiana.gov/TaxForms/Cift620WEB\(2021\)%20F.pdf](https://revenue.louisiana.gov/TaxForms/Cift620WEB(2021)%20F.pdf)

1. Schedule J – Calculation of Income Tax
2. If the yearly taxable income is: _____ The tax is:
3. Not over \$25,000 4% of taxable income (TI)
4. Over \$25,0500 but not over \$50,000 \$1,000 plus 5% of excess over \$25,000
5. Over \$50,000 but not over \$100,000 \$2,250 plus 6% of excess over \$50,000
6. Over \$100,000 but not over \$200,000 \$5,250 plus 7% of excess over \$100,000
7. Over \$200,000 \$12,250 plus 8% of excess over \$200,000
8. _____
9. If the monthly taxable income is: _____ The tax is:
10. _____
11. If the weekly taxable income is: _____ The tax is:
12. _____
- 13.
14. If the yearly taxable income (YTI) is: The tax rate and tax are: Tax rate range:
15. Not over \$200,000 $(YTI \div C1 + 0.04) \times TI$ 4% - 6.125%
16. Over \$200,000 $(0.08 - (D1 \div YTI)) \times TI$ 6.125% - 8%
- 17.
18. YTI is the yearly taxable income.
19. C1 is 9,411,765 from 200,000 to divide the 1-st tax rate range difference (0.06125-0.04). D1 is 3,750 from
20. 200,000 to multiply the 2-nd tax rate range difference (0.08-0.06125).
21. There are 2 tax rate ranges of 0.04-0.06125-0.08 for taxable incomes not over and over \$200,000.
22. $YTI = TI \times F$. TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
23. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

Examples:

Tax rate and tax are:

1. $YTI = \$100,000$: $(100,000 \div 9,411,765 + 0.04) \times 100,000 = 0.050625 \times 100,000 = 5,062.50$
2. Bi-weekly TI is \$8,765: $(0.08 - 3,750 \div 8,765 \div 26) \times 8,765 = 0.0635447 \times 8,765 = 555.97$
3. Monthly TI is \$73,456: $(0.08 - 3,750 \div 73,456 \div 12) \times 73,456 = 0.075745753 \times 73,456 = 5,563.98$

* Existing bottom tax rate 4% is suggested to such as 3.5% (4%-6.125%-8% tax rates may be reduced to 3.5%-6.125%-8%) to have neutral tax revenue change, which depends on its Fiscal Note from Department of Revenue. A lower bottom tax rate can encourage more people to start businesses. Then mid and large businesses are more stable and pay relatively higher tax rates. Two brackets are suggested for businesses.

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