

Summary for Louisiana Income Tax Calculation Simplification

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1. Existing Tax System has 3 personal tax brackets with non-smooth tax rate changes from 2% to 6%, which are simple. But 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) Existing Tax Table has 16 pages. [www.revenue.louisiana.gov/TaxForms/IT540iTT\(2020\).pdf](http://www.revenue.louisiana.gov/TaxForms/IT540iTT(2020).pdf)

2. Tax Simplification: When the LG tax simplification (supported by our 12 publications) is used, the complex 25-page Withholding Tables can be eliminated and 3 existing tax brackets can be matched and reduced to 2. Tax Table or its formula (option) may be used with 0-4 pages. A checking tool is used to reduce calculation mistakes. <https://taxsimplecenter.net/publication.html>

Table 1 Existing Tax Rates, Withholding Tables, Checking Tool and Simplification

Single/Married file separate	Tax Rate	Married file joint/QW	Withholding Tables	Tax Table	Checking tool
Taxable income		Taxable income			
0 \$12,500	2%	0 \$25,000	25 pages	16 pages	No
\$12,500 \$50,000	4%	\$25,000 \$100,000	For Single/MFS at TI=\$50,000,		
Over \$50,000	6%	Over \$100,000	Tax rate=(250+1500)÷50,000 = 0.035		
			0 page	0-4 pages	Yes
Simplification					
Taxable income ÷ S	Tax Rate and tax	Tax rate check			
Not over \$50,000	$(YTI \div S \div C + 0.02) \times TI$	0.02-0.035	C=50,000 ÷ (0.035-0.02)=3,333,333		
Over \$50,000	$(0.06 - (D \times S) \div YTI) \times TI$	0.035-0.06	D=50,000 × (0.06-0.035)=1,250		

YTI=yearly taxable income, TI=taxable income, $YTI=TI \times F$ and F=the number of filing period (F=1 for tax returns, 2, 4, 12, 24, 26, 52 or 365 on different basis). S=Tax Status (2 for MFJ/QW, 1.x for HH or 1 for Single/MS).

3. Withholding Tax: The complex 25-page Withholding Tables can be eliminated to reduce related costs. If the simplification can help to reduce tax calculation cost at \$1 for companies and \$0.2 for Department of Revenue on each 26 biweekly period per employee, then cost saving may be \$59 million from 1.2x26x1.9 million if LA employee numbers are about 1.9 millions. The \$1.2 covers about 8 areas such as such as (1) designing Withholding Tables, (2) publication, (3) tax numbers with certain Allowances, (4) using calculation formulas for high taxable incomes and Allowances, (5) checking mistakes and recalculations, (6) filings, (7) software, and (8) data analysis. Table 6 shows related benefits and value estimations with direct and non-direct values, which may need to be evaluated by the Department of Revenue. When the 2 simple formulas are set with Spreadsheet, Excel or software, tax rate, tax, withholding tax and payroll calculations can be calculated repeatedly for companies to do withholding taxes, payrolls and related reports, which is a big saving for companies.

Withholding tax formulas are also used. When yearly taxable income is \$49,876.54 for Married file separate with two children, bi-weekly taxable income is \$1,918.33. Withholding taxes are calculated as \$1,745.06 yearly or \$67.12 bi-weekly, which involves several steps by the tax formulas from AL Department of Revenue. When the simplified formula in Table 1 is used, tax rate and tax are calculated at such as yearly, bi-weekly or monthly with 1-step formula. Tax rate is 3.496%. Then the almost same taxes are obtained quickly. Tax rates can be checked with tax rate checks 0.02-0.035-0.06 to reduce calculation mistakes.

$$\begin{aligned}
 (YTI \div S \div C + 0.02) \times TI &= (49,876.54 \div 1 \div 3,333,333 + 0.02) \times 49,876.54 = 0.03496 \times 49,876.54 = \$1,743.83 && \text{(yearly)} \\
 (TI \times F \div S \div C + 0.02) \times TI &= (1,918.33 \times 26 \div 1 \div 3,333,333 + 0.02) \times 1,918.33 = 0.03496 \times 1,918.33 = \$67.07 && \text{(bi-weekly)} \\
 (TI \times F \div S \div C + 0.02) \times TI &= (4,156.38 \times 12 \div 1 \div 3,333,333 + 0.02) \times 4,156.38 = 0.03496 \times 4,156.38 = \$145.32 && \text{(monthly)}
 \end{aligned}$$

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

4. Tax Rate Comparison: Existing tax rates change non-smoothly with various tax rate speeds (not over \$50,000), which are unfair. With the LG tax simplification, tax rate speed (not over \$50,000) is at a same speed (1/C), which is a reasonable and fair constant. 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 tax brackets are unfair and complex, which cause some people, who should pay slight more, pay less or other people, who should pay slight less, pay more.

When taxable incomes are over \$50,000 for Single/MS or over \$100,000 for MFJ/QW, tax rates and taxes are the same without any change between the two methods. Fiscal note (tax revenue difference) shall be close to neutral. If there is more positive revenue change, the bottom tax rate 2% may be decreased slightly to such as 1.9% or 1.8% to have almost neutral tax revenue difference.

5. Tax Return Simplification: Many taxpayers with standard deductions may not need to file normal tax returns and do modifications with Withholding Tax Report. Tax return form may be simplified in one or half page (Table 2). https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wbenvalue_for_statesw2.pdf (Table 5) [https://revenue.louisiana.gov/TaxForms/IT540-WEB\(2020\).pdf](https://revenue.louisiana.gov/TaxForms/IT540-WEB(2020).pdf)

Table 2 LOUISIANA INDIVIDUAL INCOME TAX RETURN

Check one: Married Filing Joint/Qualifying Widow(er) Head of Household Single/Married Filing Separate
 Filing Status (S) #: 2 1.x 1
 Standard deduction (\$) \$9,000 \$9,000 \$4,500
 Personal exemption (\$): \$1,000/person
 Standard tax credit (\$):

Form Barcode

Address:

A	B	C	D	E	F	G	
Year	Your Name	SS#	Spouse Name	Spouse SS#	Status #	Child #	1
2023							2
Federal Income Tax	Federal Deductions	LA Incomes	LA AGI (Adjusted Gross Income)	Standard/Itemized Deductions	Exemptions	LA Taxable income (TI)	3
							4
Federal AGI	LA TI ÷ S	Yearly TI ÷ S	LG tax rate formula	Tax rate check	Tax rate	Tax / Table	5
		0 - \$50,000	TI ÷ S ÷ 3,333,333 + 0.02	0.02-0.035			6
		Over \$50,000	0.06 - 1,250 × S ÷ TI	0.035-0.06			7
Non-refundable tax credits	Total Tax (If <0, enter 0)	Refundable tax credits	LA income tax withheld (W-2/1099)	Tax refund (last year: ≤\$100)	Donations	Tax (Owe+ /Refund-)	8
							9

(1) Taxable income (G4)=D4-E2-F4

(2) Tax (Owe+/Refund-)=B9-C9-D9-E9-F9

(3) Attach related documents. If tax refund (G9) is not over \$100, file tax return and delay the tax refund to next year (E9). If tax refund is over \$100, please fill in:

Bank routing# _____, Account # _____, Name _____

Tax Return Barcode

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

Third-party preparer name _____ Address _____

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

6. Tax Reform, Analysis, Budget, and Projection:

$$\text{Total Tax} = 0.02S \text{ um}(\text{YTIa}) + \text{Sum}(\text{YTIa} \div S)^2 \div 3,333,333 + \text{Sum}(0.06 \text{ YTIb} - (1,250 \times S))$$

Tax reforms usually need lawmakers to consider tax bracket numbers, tax rates, taxable income ranges and tax goals at the same time, which are very complex. With the tax simplification, only 3 tax rates at bottom, \$50,000 and top such as 2%-3.5%-6% are needed to be adjusted to meet a tax goal. In the total tax formula, a and b are taxable income numbers for not over and over \$50,000×S for Married Filing Joint/QW and other tax statuses.

7. Value and Cost Reduction from the LG Tax Simplification:

Besides eliminating existing 25-page Withholding Tables with cost reduction \$59 million from 1.2x26x1.9 million, there are other cost saving values, which are shown in Table 3.

Table 3: Benefits and Cost Saving Values of the Simplification for LA

#	Benefits	Value
1.	Existing tax brackets are matched and reduced to 2 comparably.	Less time/More simple
2.	Lawmakers can adjust 3 (top/bottom/middle) tax rates for tax reforms and projections.	Less time/hustle
3.	Same tax revenue for over \$50,000 and very slight change for not over \$50,000. Goal:	<\$1 million
4.	Withholding Tables (25 pages) are eliminated and replaced by 2 simple formulas. If (1+0.2)/person/period (1.2×26×1.9 million):	\$59 million
5.	Tax table or its formula (1 option) is used. If ((1+0.5)×2.5 million):	\$3.75 million
6.	Combining two existing sub tax systems (4&5) together without time delay (13 M) for:	Real & quick tax
7.	One non-refundable and one refundable tax credit formulas. If (2×2.5 million):	\$5 million
8.	Simple tax returns with standard deductions/credits. If ((15+5)×50%×2.5 million):	\$25 million
9.	Half-page (postcard) tax return form may be used (50%). If ((10+4)×50%×2.5 million):	\$17.5 million
10.	Tax Status (S) # is 1 for Singles or Married filing separately, 2 for Married filing jointly/QW or 1.5 for Head of Household. Standard Deductions are \$xxx*S. If ((1+0.5)×2.5 million):	\$3.75 million
11.	A checking tool of two tax rate ranges are provided to check and reduce tax rate and tax calculation mistakes. If ((2+1)×2.5 million):	\$7.5 million
12.	Tax fraud is inspected and reduced by comparing tax returns and tax withholding reports.	Less crime
13.	Tax refunds with \$100 or less are delayed to next-year refunds.	Less time/cost
14.	Department of Revenue may process less normal tax returns during busy tax season and have more time to inspect more tax returns and evasions for possible more taxes.	More tax
15.	The LG tax simplification can be used to simplify tax calculation, payroll, tax analysis and projection with 2 brackets instead of existing multi brackets.	Less time/costs

The direct total saving value may be \$120 million for LA. Also indirect benefits of less time, hustle, mistake, crime, and less cost have certain values. Related costs and saving values depend on tax return and employee numbers and complexity of existing tax systems, which need to be evaluated by Department of Revenue.

To implement the tax simplification, it may cost a state about \$60K's. KS Division of The Budget estimated \$61,110 (2018) or \$68,991 (2020) to implement the tax simplification and to modify the automated tax system at www.kslegislature.org/li_2018/b2017_18/measures/documents/fisc_note_hb2788_00_0000.pdf (2018 HB 2788) and www.kslegislature.org/li_2020/b2019_20/measures/documents/fisc_note_hb2278_00_0000.pdf (2019 HB 2278). Slight tax revenue (about \$5 million/year) can be gained by 3.1%-5.7%. Related costs need to be evaluated by Departments of Revenue.

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