

MARYLAND STATE BILL NO. _____
Individual income tax simplification

Summary: One simple slope formula is used to match MD tax systems fairly and efficiently for replacing existing 8 tax brackets, 16 taxable income ranges (**Problem #1:** too many range), 112 (8×2×7) withholding formulas (**Problem #2:** too many formulas), and 18-page Withholding Tables (**Problem #3:** too many pages).

1. AN ACT concerning income taxation; relating to tax rates and repealing the existing section. Be it
2. enacted by the Legislature: A tax is hereby imposed upon taxable income of every resident individual,
3. which tax rate and tax shall be computed in accordance with the following Tax Rate Schedule:
4. www.marylandtaxes.gov/forms/current_forms/Resident_booklet.pdf
5. A tax on the brackets of taxable income as follows:
6. ~~If the taxable income is: The tax are:~~
7. ~~Married filing jointly and qualifying widow(er) filing status (2) and (5):~~
8. ~~Single, Married Filing Separately or Dependent Taxpayers (Schedule I):~~
9. ~~Not over \$1,000 2% of the taxable income~~
10. ~~Over \$1,000 but not over \$2,000 \$20 plus 3% of excess over \$1,000~~
11. ~~Over \$2,000 but not over \$3,000 \$50 plus 4% of excess over \$2,000~~
12. ~~Over \$3,000 but not over \$100,000 \$90 plus 4.75% of excess over \$3,000~~
13. ~~Over \$100,000 but not over \$125,000 \$4,697.5 plus 5% of excess over \$100,000~~
14. ~~Over \$125,000 but not over \$150,000 \$5,947.5 plus 5.25% of excess over \$125,000~~
15. ~~Over \$150,000 but not over \$250,000 \$7,260 plus 5.5% of excess over \$150,000~~
16. ~~Over \$250,000 \$12,760 plus 5.75% of excess over \$250,000~~
17. ~~Married Filing Jointly, Head of Household or Qualifying Widows/Widowers (Schedule II):~~
18. ~~Not over \$1,000 2% of the taxable income~~
19. ~~Over \$1,000 but not over \$2,000 \$20 plus 3% of excess over \$1,000~~
20. ~~Over \$2,000 but not over \$3,000 \$50 plus 4% of excess over \$2,000~~
21. ~~Over \$3,000 but not over \$150,000 \$90 plus 4.75% of excess over \$3,000~~
22. ~~Over \$150,000 but not over \$175,000 \$7,072.5 plus 5% of excess over \$150,000~~
23. ~~Over \$175,000 but not over \$225,000 \$8,322.5 plus 5.25% of excess over \$175,000~~
24. ~~Over \$225,000 but not over \$300,000 \$10,947.5 plus 5.5% of excess over \$225,000~~
25. ~~Over \$300,000 \$15,072.5 plus 5.75% of excess over \$300,000~~
- 26.
27. For the yearly taxable income (YTI) is: The tax rate and tax are: Tax rate range:
28. Not over \$100,000×S (YTI÷S÷C+0.02) × TI 2% - 4.6%
29. Over \$100,000×S (0.0575-(D×S÷YTI)) × TI 4.6% - 5.75%
30. YTI is the yearly taxable income. S is tax filing status (1 for Single, Married filing separately or
31. Dependent Taxpayers (Schedule I) or 1.2 for Married filing jointly, Head of Household or Qualifying
32. Widows/Widowers (Schedule II).
33. C is 3,846,154 from 100,000 to divide (÷) the 1-st tax rate range difference (0.046-0.02). D is 1,150
34. from 100,000 to divide (÷) the 2-nd tax rate range difference (0.0575-0.046). There are 2 tax rate
35. ranges of 2%-4.6%-5.75% for taxable incomes not over and over \$100,000.
36. YTI is equal to TI×F. TI is taxable income. F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
37. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

Examples:

Tax rate and tax are:

- 1. YTI=\$48,000 (S=1): $(48,000 \div 1 \div 3,846,154 + 0.02) \times 48,000 = 0.03248 \times 48,000 = 1,559.40$
- 2. Bi-weekly TI is \$4,700 (S=2): $(0.0575 - 1,150 \times 1.2 \div 4,700 \div 26) \times 4,700 = 0.046207 \times 4,700 = 217.17$
- 3. Monthly TI is \$4,000 (S=1): $(4,000 \times 12 \div 1 \div 3,846,154 + 0.02) \times 4,000 = 0.03248 \times 4,000 = 129.92$

***Notes:**

1. With this simplification, the existing 8 tax brackets and tax rate ranges (2%, 3%, 4%, 4.75%, 5%, 5.25%, 5.5%, and 5.75%), 112 (8x2x7) formulas and Withholding Tables (18 pages) can be matched and simplified by 2 brackets and formulas with tax rate ranges of (2%-4.6%-5.75%) with 99% reduction (1-(2÷8)(2÷112)).

2. The 18-page Withholding Tables and 112 (8x2x7) formulas can be eliminated. Businesses can use the 2 fair** formulas for withholding taxes. https://marylandtaxes.gov/forms/20_forms/Withholding_Guide.pdf

** Fair tax rate changes: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf
(3. Tax Rate Change Speed, Checking Tool, Tax Status and Simplification)

Withholding/Income Tax=(Incomes±Adjustments-(Deductions+Exemptions)÷F)×Tax rate-Tax credits÷F
Total Tax=0.02SumYTIb+Sum(YTIb×YTIb)÷3,846,154+Sum (0.0575 YTIid-1,150)

At \$100,000 (Schedule D), existing tax rate is 4.6975% (or 4.7%), which can be adjusted to 4.6% to have neutral tax revenue change. It depends on its Fiscal Note from Department of Revenue. Tax status numbers can be used 1 or 1.2 (or such as 1.5). Standard deductions, exemptions and tax credits are used for withholding tax calculations.

3. Tax rate ranges of 2%-4.6-5.75% for not over and over \$100,000×S may increase tax revenue slightly. 2% may be reduced to 1.9% to have neutral tax revenue. Low-end incomers may reduce tax rates and taxes slightly. Fiscal Note is needed. Other incomers may have no or almost no tax rate and tax difference.

4. Actual deductions, exemptions and tax credits are used for tax returns with F is 1. Tax Table (7 pages) or its formula can be used as one option. The 7 pages may be reduced to 4 pages.
www.marylandtaxes.gov/forms/current_forms/Resident_booklet.pdf

5. For over \$100,000×S, the same tax formula is converted into tax rate and tax format.
(\$12,760 + 5.75% (YTI - \$250,000)) = (0.0575 - 1,615 ÷ YTI) × YTI into (0.0575 - (D×S÷YTI)) × TI)

6. For existing tax reforms, tax brackets, tax rates, taxable income ranges and tax goal are considered at the same time, which are affected each and complex. With this tax simplification, only 3 tax rates at bottom, middle (\$100,000) and top are adjusted to meet a tax goal. The factors are explained by our research paper (Page 508).

Bill Summary

This bill matches and simplifies existing 8 tax brackets, 16 taxable income ranges, 112 (8x2x7) formulas and 18-page Withholding Tables with 2 brackets and formulas. Withholding taxes, payrolls, withholding reports, income taxes, tax returns, tax analyses, fiscal notes, tax projections, and tax reforms can be simplified. Tax filing statuses are numbered as 1 or 1.2. A checking tool is provided to check and reduce calculation mistakes. For future tax reforms, only 3 tax rates at bottom, \$100,000 and top are considered by lawmakers.

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