

## Simplification: Tax Analysis, Fiscal Note, Projection and Application

**A. Yearly Changes:** MO has changed taxable income ranges (10 or 9), effective tax rates and 10-page Withholding Tables yearly (by SB 509 and HB 2540) during 2016-2027, which has caused the complex situations. When existing 10/9 tax brackets are matched/simplified/reduced to 2, tax analyses, fiscal notes and projections can be simplified. Each year has 6 tax charts. We combine/match Tables 1-72 into Table 73 simply. Also existing 10-page Withholding Tables can be eliminated/replaced. Besides income tax calculation simplification, the same method can also be used for other similar applications (next page).

**Table 73** 2016-2027 effective tax rate and tax formulas, which are from ..... **Table 1(...12x6)** 2016 Tax Chart

Year	Top rate	Rate/\$9,000	Bottom rate	Tax Rate (not >\$9,000)	Tax Rate (>\$9,000)	If TI is:	The tax is:
2016	0.06	0.035*	0.015	(YTI/450,000)+0.015	0.06-(225/YTI)	Not over 1,000	1.5% TI
						1,000-2,000	15+2%(TI-1,000)
2017	0.06	0.0346	0.015	(YTI/459,183.7)+0.015	0.06-(228.6/YTI)	2,000-3,000	35+2.5%(TI-2,000)
2018	0.059	0.0344	0.015	(YTI/463,917.5)+0.015	0.059-(221.4/YTI)	3,000-4,000	60+3%(TI-3,000)
2019	0.054	0.0339	0.015	(YTI/476,190.5)+0.015	0.059-(180.9/YTI)	4,000-5,000	90+3.5%(TI-4,000)
2020	0.054	0.0335	0.015	(YTI/486,486.5)+0.015	0.054-(184.5/YTI)	5,000-6,000	125+4%(TI-5,000)
2021	0.054	0.03322*	0.014	(YTI/468,262)+0.014	0.054-(187/YTI)	6,000-7,000	165+4.5%(TI-6,000)
						7,000-8,000	210+5%(TI-7,000)
						8,000-9,000	260+5.5%(TI-8,000)
2022	0.053	?	0.014	(YTI/ )+0.014	0.053-( /YTI)	Over 9,000**	315+6%(TI-9,000)
2023	0.053	?	0.014	(YTI/ )+0.014	0.053-( /YTI)		
2024	0.053	?	0.014	(YTI/ )+0.014	0.053-( /YTI)		
2025	0.052	?	0.014	(YTI/ )+0.014	0.052-( /YTI)		
2026	0.051	?	0.014	(YTI/ )+0.014	0.051-( /YTI)		
2027	0.051	?	0.014	(YTI/ )+0.014	0.051-( /YTI)		

\*\* (2016) \$9,000.01 (1,000.00) are changed to (2017) \$9,072.01, ..... (2020) \$8,584.01 or (2021) 8,704.01 (1,088.00).

**B. Tax Rate and Tax Simplifications:** SB 597 (2021) provides the 2 tax rate and tax formulas. For yearly taxable incomes (YTI) over \$9,000, the same formula is used (tax format → effective tax rate and tax format), which has no tax revenue change. For YTI not over \$9,000, existing 9 or 8 formulas are matched/combined into 1 formula in the effective format, which may have very slight (almost neutral) tax revenue change.

**2016:** "\$315 plus 6% of excess over \$9,000" = 315 + 0.06(YTI - 9000) = 0.06 YTI - 225 = (0.06 - (225 ÷ YTI)) × YTI

If the Missouri yearly taxable income is:      The tax rate and tax are:

Not over \$9,000      (YTI ÷ C + 0.014) × TI      (YTI = TI × F)

Over \$9,000      (Top tax rate - (D ÷ YTI)) × TI      (F = filing periods)

**C. Tax Revenue, Analysis, Fiscal Note and Projection:** (Only very slight tax revenue change)

For 2021: **Total Tax** = 0.014 Sum(YTI<sub>a</sub>) + Sum(YTI<sub>a</sub> × YTI<sub>a</sub>) ÷ C + Sum(0.054 YTI<sub>b</sub> - D)

(C = 9,000 ÷ (0.03322 - 0.014) = 468,262 and D = (0.054 - 0.03322) × 9,000 = 187)

**(1) Existing Formula (1): Sub Tax Revenue** = 0.015 Sum YTI<sub>1</sub> + Sum(A<sub>1</sub> + 0.02(YTI<sub>2</sub> - 1,000)) + Sum(A<sub>2</sub> + 0.025(YTI<sub>3</sub> - 2,000)) + Sum(A<sub>3</sub> + 0.03(YTI<sub>4</sub> - 3,000)) + Sum(A<sub>4</sub> + 0.035(YTI<sub>5</sub> - 4,000)) + Sum(A<sub>5</sub> + 0.04(YTI<sub>6</sub> - 5,000)) + Sum(A<sub>6</sub> + 0.045(YTI<sub>7</sub> - 6,000)) + Sum(A<sub>7</sub> + 0.05(YTI<sub>8</sub> - 7,000)) + Sum(A<sub>8</sub> + 0.05x (YTI<sub>9</sub> - 8,000))      **(For 2016)**

(For tax revenue not over \$9,000 (YTI) before tax credits)

A<sub>1</sub>, ..... A<sub>8</sub> (**8 constants**) and YTI<sub>1</sub>, ..... YTI<sub>9</sub> (**9 groups**) are combined/simplified into **C** and **YTI<sub>a</sub>**. Then Fiscal Notes can be simplified for such as SB 597. [www.senate.mo.gov/FiscalNotes/2021-1/2783S.01L.ORG.pdf](http://www.senate.mo.gov/FiscalNotes/2021-1/2783S.01L.ORG.pdf)

**(2) New Formula (2): Sub Tax Revenue** = 0.014 Sum YTI<sub>a</sub> + Sum(YTI<sub>a</sub> × YTI<sub>a</sub>) ÷ C      **(For all years)**

**Tax Revenue Change = Formula (2) - Formula (1)**

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**D. Simplification for MO Federal Tax Percentage and Deduction with Fair and Less Brackets**

Existing MO Federal Tax Percentage (MO-1040) has 5 brackets and step rates from 35% to 25%, 15%, 5% and 0% (HB 991 in 2021). The following example shows such as \$1 AGI difference to cause \$1,500 deduction difference\*, which is unfair.

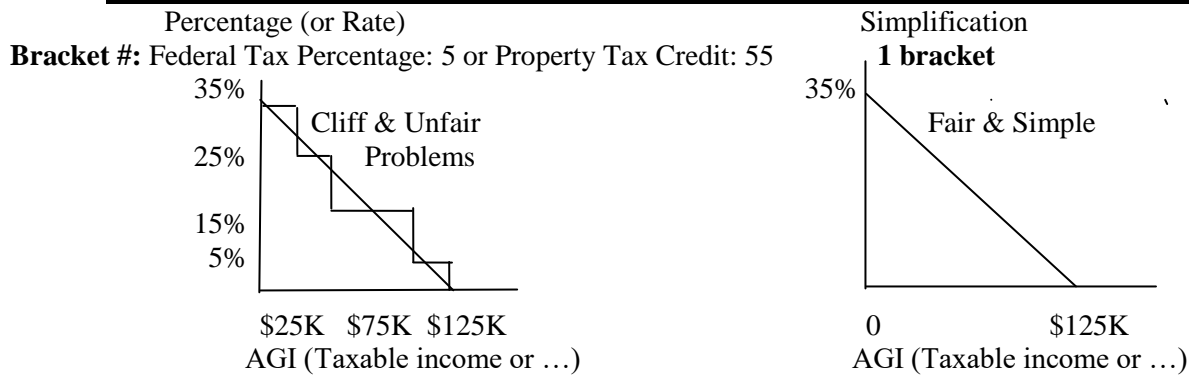


**\*Example:** One person's MO AGI is \$100,001. Another person's AGI is \$100,000. When their federal taxes are the same \$15,000, their MO federal tax deduction is \$750 (5%×15,000) or \$2,250 (15%×15,000), which means **\$1 AGI difference causes \$1,500 deduction difference**, which is unfair.

With the simplified formula, their MO federal tax deduction is \$1,049.96 (6.99972%×15,000) or \$1,050.00 (7%×15,000) with very slight difference \$0.04, **which is fair and simple**.

Missouri AGI Range, Line 6	Federal Tax Percentage	Simplified Formula
\$25,000 or less	35%	
\$25,001 to \$50,000	25%	0.35(1-(AGI÷125,000))
\$50,001 to \$100,000	15%	
\$100,001 to \$125,000	5%	
\$125,001 or more	0%	0

**FIG. Existing MO Federal Tax Percentage (or Property Tax Credit) and Simplification**



**E. Simplification for MO Property Tax Credit (55 brackets are matched and reduced to 3)**

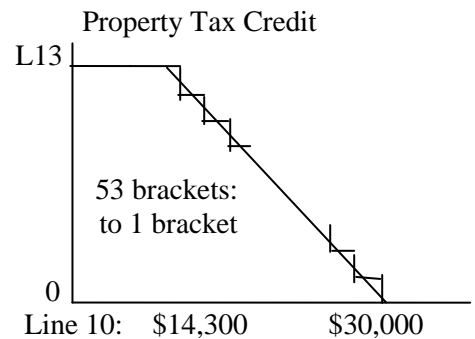
MO Property Tax Credit Chart shows its reduction from \$1,100 to 0 when Line 10 is from 0 to \$30,000. Maximum tax credit (L13: Total Real Estate Tax Paid) is \$1,100.

One linear solution can be used to match related property tax credits with reducing 53 brackets to 1 with 98% reduction.

MO property tax credit (2019)

Line 10	0-14,000	14,000-30,000	Over 30,000
Credit	L13*	L13 (1-(L10-14,000) ÷ 16,000)	0

\* L13: Maximum total amount of allowable real estate tax paid is not to exceed \$1,100 (Form MO-PTS, Line 13).



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