NEBRASKA Bill NO. _____ Income Tax Simplification

Summary of Income Tax Simplification: One simple slope formula and one existing formula are used to match and simplify Nebraska tax systems efficiently for replacing existing 4 tax brackets, 16 taxable income ranges (Problem #1: too many range), 96 (4×4×6) withholding formulas (Problem #2: too many formulas), and 20page Withholding Tables (Problem #3: too many pages and too complex).

A bill for an act relates to income taxation for calculating income tax rate and tax.

1. Begin on or after January 1, 2014, the following brackets and rates are for NE income tax income tax:

2.	Bracket	Single	Married Filing	Head of	Married Filing	Estates and	Tax
3.	Number	Individuals	Jointly	Household	Separate	Trusts	Rate
4.	1	0-2,999	\$0-5,999	\$0-5,599	\$0-2,999	\$0-499	2.46%
5.	2 \$3	3,000-17,999	\$6,000-35,999	\$5,600-28,799	\$3,000-17,999	\$500-4,699	3.51%
6.	3 \$1	8,000-28,999	\$36,000-57,999	\$36,000-57,999	\$18,000-28,999	\$4,700-15,149	5.01%
7	4 \$2	9 000 & over	\$58,000 & over	\$43,000 & over	\$29,000 & over	\$58,000 & over	Ton Rate

- 8. The top tax rate shall be: 6.84% in 2014-2023, 6.64% in 2023, 6.44% in 2024, 6.24% in 2025, 6% in
- 9. 2026, 5.84% in 2027 or after 2027.
- 10. www.nebraskalegislature.gov/FloorDocs/108/PDF/Intro/LB387.pdf

11.

12. For tax years of 2023, 2024, 2025, 2026 or 2027 and thereafter:

13. If yearly taxable income (YTI) is:	The tax rate and tax are:	2023 Tax rate ranges:
14. Not over \$60,000×S	$(YTI \dot{\div} S \dot{\div} C + BR) \times TI$	0.0246-0.0535
15. Over \$60,000×S	$(TR - (D \times S \div YTI)) \times TI$	0.0535-0.0664

16.

- 17. YTI is the yearly taxable income and S is status # (1 for Single, 2 for Married filing jointly, 1.5 for Head
- 18. of Household, 1 for Married filing separately or 0.42 for Estates and Trusts).
- 19. BR is bottom tax rate 2.46% and TR is top rate 6.84% in 2022, which can be reformed from 0.0246-
- 20. 0.0545-0.0684 in 2022 to 0.0246-0.0535-0.0664 in 2023, 0.0246-0.0525-0.0644 in 2024, 0.0246-0.0514-
- 21. 0.0624 in 2025, 0.0246-0.0502-0.06 in 2026, and 0.0246-0.0494-0.0584 in 2027 and thereafter for not
- 22. over and over $60.000 \times S$.
- 23. YTI is equal to TI×F, TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
- 24. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).
- 25. C is 2,076,125 from 60,000 to divide (÷) the 1-st tax rate range difference (0.0535-0.0246). D is 774
- 26. from 60,000 to multiply (×) the 2-nd tax rate difference (0.0664-0.0535) for 2023.
- 27. www.nebraskalegislature.gov/FloorDocs/108/PDF/Intro/LB754.pdf: Top tax rate is reduced to 6.27% for
- 28. 2023, 5.7% for 2024, 5.13% for 2025, 4.56% for 2026 or 3.99% for 2027 and thereafter.

Examples: 2023 Tax rate and tax are:

1. YTI=\$52,000 (S=1): $(52,000 \div 1 \div 2,076,125 + 0.0246) \times 52,000 = 0.049647 \times 52,000 = 2,581.63$ 2. Biweekly TI is \$2,000 (S=1): $(2,000\times26\div1\div2,076,125+0.0246)\times2,000=0.049647\times2,000=99.29$ 3. Monthly TI is \$12,500 (S=2): $(0.0664-774\times2\div12,500\div12))\times12,500=0.05424\times12,500=678.00$ 4. YTI=\$150,000 (S=2): $(0.0664-774\times2\div150,000)\times125,000=0.05424\times150,000=8,136.00$ 5. Biweekly TI is \$3,567 (S=2): $(3,567\times26\div2\div2,076,125+0.0246)\times=0.046935\times3,567=167.42$

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Notes:

1. With this simplification, the existing 4 tax brackets, 96 (4×4×6) formulas, 16 tax rate ranges, and 20-page Withholding Tables are matched and simplified by 2 brackets and 2 formulas with 98% reduction (1-(2÷96)). Bottom tax rate (BR) is the same at 2.46%. Changeable top and mid tax rates affect C and D constants. Their detail changes are according to LB 387 at www.nebraskalegislature.gov/FloorDocs/108/PDF/Intro/LB387.pdf with one linear formula of (YTI÷S÷C + BR)×TI and one existing formula of (TR - (D×S÷YTI))×TI with taxable incomes not over and over \$60,000×S. 1,151.4+6.64% (YTI-29,000) = (6.64% - (774.2×S÷YTI))×YTI in 2023.

2	2022 Tax rate ranges	2023	2024	2025	2026	2027 & after
	BR-5.45%-6.84%	BR-5.35%-6.64%	BR-5.25%-6.44%	BR-5.14%-6.24%	BR-5.02%-6%	BR-4.94%-5.84%
C :	2,006,689	2,076,125	2,150,538	2,238,806	2,343,750	2,419,355
D:	834	774	714	660	588	540

www.nebraskalegislature.gov/FloorDocs/108/PDF/Intro/LB754.pdf: Top tax rates are changed during 2023-2027:

	2023 Tax rate ranges	2024	2025	2026	2027 & after
	BR-5.2%*-6.27%	BR-4.6%*-5.7%	BR-4.1%*-5.13%	BR-3.6%*-4.56%	BR-3.2%*-3.99%
C :	2,189,781	2,803,738	3,658,537	5,263,158	8,108,108
D:	642	660	618	576	474

^{*} Tax rates are adjusted by 80% because 4.56% and 3.99% are less than 5.01%.

2. The bottom tax rate 2.46% may be reduced to 2.4% to have neutral tax revenue simply and fairly* according to its Fiscal Note. Incomes over \$60,000 have no tax rate and tax difference.

https://revenue.nebraska.gov/files/doc/tax-forms/2021/f_ptc.pdf
https://revenue.nebraska.gov/files/doc/tax-forms/2019/f_1040nes_2020.
www.revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/business/2017cir-en_whole.pdf

3. The 96 ($4\times4\times6$) formulas, 16 tax rate ranges, and 20-page Withholding Tables can be eliminated. Withholding tables (20 pages) and related formulas are matched and replaced by the above two formulas for not over and over \$60,000×S and the following formula to calculate withholding taxes with Standard deductions, exemptions and tax credits and income taxes for tax returns with actual deductions, exemptions and tax credits.

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

- 4. Existing tax table (3 pages) or its formula is for people to have one option. https://revenue.nebraska.gov/files/doc/tax-forms/2019/f_1040n_booklet.pdf
- 5. For existing tax reforms, tax brackets, tax rates, taxable income ranges, tax computations, and tax goal are considered at the same time, which are affected each other and complex. With this tax simplification, only 3 tax rates at bottom, middle and top are adjusted to meet a tax goal. The factors are explained by our 2021 research paper (Page 508). * www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf

Bill Summary

Bill xxx - This bill matches and simplifies existing 4 tax brackets, 16 tax rate ranges, 96 ($4\times4\times6$) formulas, and 20-page Withholding Tables by 2 brackets, one simple linear formula and one existing formulas. Tax statuses are numbered with 1, 2, 1.5 or 0.42. Payrolls, withholding reports, tax returns, tax analyses, tax reforms and tax projections can be simplified. A checking tool is provided to reduce calculation mistakes. For a tax reform, only 3 tax rates at bottom, top and \$60,000 are adjusted to meet a related tax projection.

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