

**NEW JERSEY BILL NO. \_\_\_\_\_ Individual income tax simplification**

**Summary:** One simple linear formula is used to match NJ tax systems fairly/efficiently for replacing existing 8 tax brackets, 16 taxable income ranges (**Problem #1: too many ranges**), 5-page Withholding Tables (**Problem #2: too many**), and 128 (8×2×8) withholding formulas (**Problem #3: too many formulas**).

1. AN ACT relates income taxation. A tax is hereby imposed upon taxable income of every resident,
2. which tax rate and tax shall be computed in accordance with the following Tax Rate Schedule:
3. [www.nj.gov/treasury/taxation/pdf/current/1040xi.pdf](http://www.nj.gov/treasury/taxation/pdf/current/1040xi.pdf) (2020)
4. A tax on the brackets of taxable income as follows:
5. ~~If the yearly taxable income is: The tax are:~~
6. ~~Single Filer (Married/CU Partner, Filing Separate Return):~~
7. ~~Not over \$20,000 1.4% of the yearly taxable income (YTI)~~
8. ~~Over \$20,000 but not over \$35,000  $0.0175 \times YTI$  minus 70.00~~
9. ~~Over \$35,000 but not over \$40,000  $0.035 \times YTI$  minus 682.50~~
10. ~~Over \$40,000 but not over \$75,000  $0.05525 \times YTI$  minus 1,492.5~~
11. ~~Over \$75,000 but not over \$500,000  $0.0637 \times YTI$  minus 2,126.25~~
12. ~~Over \$500,000 but not over \$1,000,000  $0.0897 \times YTI$  minus 15,126.25~~
13. ~~Over \$1,000,000  $0.1075 \times YTI$  minus 32,926.25~~
14. ~~Married/Couple Filer, Head of Household or Qualifying Widow(er)/Surviving CU Partner:~~
15. ~~Not over \$20,000 1.4% of the yearly taxable income (YTI)~~
16. ~~Over \$20,000 but not over \$50,000  $0.0175 \times YTI$  minus 70.00~~
17. ~~Over \$50,000 but not over \$70,000  $0.0245 \times YTI$  minus 420.00~~
18. ~~Over \$70,000 but not over \$80,000  $0.035 \times YTI$  minus 1,154.50~~
19. ~~Over \$80,000 but not over \$150,000  $0.05525 \times YTI$  minus 2,775.00~~
20. ~~Over \$150,000 but not over \$500,000  $0.0637 \times YTI$  minus 4,042.50~~
21. ~~Over \$500,000 but not over \$1,000,000  $0.0897 \times YTI$  minus 17,042.50~~
22. ~~Over \$1,000,000  $0.1075 \times YTI$  minus 34,842.50~~
- 23.
24. For the yearly taxable income (YTI) is: The tax rate and tax are: Tax rate range:
25. Not over \$240,000×S  $(YTI \div B \div S + 0.014) \times TI$  1.4% - 5.4%
26. Over \$240,000×S  $(0.1075 - (D \times S \div YTI)) \times TI$  5.4% - 10.75%
27. YTI is the yearly taxable income. S is tax filing status (1 for Single Filer or 1.5 for Married/Couple
28. Filler, Head of Household, Qualifying Widow(er)/Surviving CU Partner.
29. C is 6,000,000 from 240,000 to divide (÷) the 1-st tax rate range difference (0.054-0.014). D is 12,840
30. from 240,000 to multiply (×) the 2-nd tax rate difference (0.1075-0.054). The 7/8 tax brackets are
31. matched and reduced to 2 tax rate ranges of 1.4%-5.4%-10.75% for taxable incomes ÷ S not over and
32. over \$240,000.
33.  $YTI = TI \times F$ , TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
34. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

**Examples:**

**Tax rate and tax are:**

1.  $YTI = \$48,000$  (S=1):  $(48,000 \div 1 \div 6,000,000 + 0.014) \times 48,000 = 0.022 \times 48,000 = 1,056.00$
2. Bi-weekly TI is \$20,000 (S=1.5):  $(0.1075 - 12,840 \times 1.5 \div 20,000 \div 26) \times 20,000 = 0.07046154 \times 20,000 = 1,409.23$
3. Monthly TI is \$4,000 (S=1):  $(4,000 \times 12 \div 1 \div 6,000,000 + 0.014) \times 4,000 = 0.022 \times 4,000 = 88.00$

**\*Notes:**

1. With this simplification, the existing 8 tax brackets (1.4%, 1.75%, 2.45%, 3.5%, 5.525%, 6.37%, 8.97%, and 10.75%), 128 (8×2×8) formulas, 16 tax rate ranges, and 5-page Withholding Tables can be matched and simplified by 2 brackets and formulas (1.4%-5.4%-10.75%) fairly (\*) with 99% reduction (1-(2÷7)(2÷280)).

2. The 128 (8×2×8) formulas, 5-page Withholding Tables, and 16 tax rate ranges can be eliminated and replaced with the 2 formulas simply and fairly. Different tax statuses are numbered as 1 or 1.5.

[www.state.nj.us/treasury/taxation/pdf/withholdingtables.pdf](http://www.state.nj.us/treasury/taxation/pdf/withholdingtables.pdf)

[www.state.nj.us/treasury/taxation/freqqite.shtml](http://www.state.nj.us/treasury/taxation/freqqite.shtml)

[www.nj.gov/treasury/taxation/pdf/current/1040xi.pdf](http://www.nj.gov/treasury/taxation/pdf/current/1040xi.pdf)

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

**Total Tax**=0.014SumYTib+Sum(YTic×YTic)÷5,853,659+Sum (0.1075 YTIid-12,600)

Standard deductions, exemptions and tax credits are used for withholding tax calculations. F=1 is for tax returns. Tax Table (9 pages) or its formula can be used as one option.

[www.nj.gov/treasury/taxation/pdf/current/1040i.pdf](http://www.nj.gov/treasury/taxation/pdf/current/1040i.pdf)

(\*) Fair tax rate changes: [www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf](http://www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf)

3. With this simplification, the bottom tax rate 1.4% may be reduced to such as 1.2%-5.5%-10.75% for not over and over \$240,000 to have neutral tax revenue change and to help low-end incomers to reduce tax rates and taxes slightly according to its evaluation from DOR. Other incomers have almost no or no tax rate and tax difference.

4. For over \$500,000×S, the same tax formula is converted into tax rate and tax format.

$(0.0897 \times YTI - 15,126.25 = (0.0897 - 15,126 \div YTI) \times YTI$  into  $(0.0897 - (D \times S \div YTI)) \times TI$ )

5. Another option is to have 3 brackets and two middle tax rates at 1.4%-4.6%-7.46%-10.75% for taxable incomes 0-120,000-1,000,000-.

6. 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).

**Bill Summary**

Bill xxx - This bill can match and simplify existing 8 tax brackets, 16 tax rate ranges, 128 (8×2×8) formulas, 5-page Withholding Tables, and 9-page Tax Tables with 2 brackets and formulas. The 5/2 tax statuses are numbered as 1 or 1.5 simply. Withholding taxes, payrolls, withholding reports, income taxes, tax returns, tax analyses, fiscal notes, tax projections, and tax reforms can be simplified with the 2 brackets. A checking tool is provided to check and reduce calculation mistakes. For future tax reforms, only 3 tax rates at bottom, \$240,000, and top are adjusted by lawmakers.

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