

NEW YORK BILL NO. _____ Individual income tax simplification

Summary: Two or one simple linear formula is used to match NY tax systems fairly and efficiently for replacing existing 8 tax brackets, 24 TI ranges (**Problem #1:** too many)*, 11-page withholding tables (**Problem #2**), and 144 (8×3×6) withholding formulas (**Problem #3:** too many formulas).

1. AN ACT concerning income taxation; relating to tax rates and repealing the existing section.
2. Be it enacted by the Legislature:
3. Section 1. A tax is hereby imposed upon taxable income of every resident individual, which tax rate
4. and tax shall be computed in accordance with the following Tax Rate Schedule:
5. www.tax.ny.gov/pdf/current_forms/it/it201i.pdf#page=57
6. A tax on the brackets of taxable income as follows:
7. ~~If the taxable income is: The tax are:~~
8. ~~Married filing jointly and qualifying widow(er) filing status (2) and (5):~~
9. ~~Not over \$17,150 4% of the taxable income~~
10. ~~Over \$17,150 but not over \$23,600 \$686 plus 4.5% of excess over \$17,150~~
11. ~~Over \$23,600 but not over \$27,900 \$976 plus 5.25% of excess over \$23,600~~
12. ~~Over \$27,900 but not over \$43,000 \$1,202 plus 5.9% of excess over \$27,900~~
13. ~~Over \$43,000 but not over \$161,550 \$2,093 plus 6.09 of excess over \$43,000~~
14. ~~Over \$161,550 but not over \$323,200 \$9,313 plus 6.41% of excess over \$161,550~~
15. ~~Over \$323,200 but not over \$2,155,350 \$19,674 plus 6.85 of excess over \$323,200~~
16. ~~Over \$2,155,350 \$145,177 plus 8.82% of excess over \$2,155,350~~
17. ~~Single and married filing separately filing status (1) and (3):~~
18. ~~Not over \$8,500 4% of the taxable income~~
19. ~~Over \$8,500 but not over \$11,700 \$340 plus 4.5% of excess over \$8,500~~
20. ~~Over \$11,700 but not over \$13,900 \$484 plus 5.25% of excess over \$11,700~~
21. ~~Over \$13,900 but not over \$21,400 \$600 plus 5.9% of excess over \$13,900~~
22. ~~Over \$21,400 but not over \$80,650 \$1,042 plus 6.09 of excess over \$21,400~~
23. ~~Over \$80,650 but not over \$215,400 \$4,650 plus 6.41% of excess over \$80,650~~
24. ~~Over \$215,400 but not over \$1,077,550 \$13,288 plus 6.85 of excess over \$215,400~~
25. ~~Over \$1,077,550 \$72,345 plus 8.82% of excess over \$1,077,550~~
26. ~~Head of household filing status (4):~~
27. ~~Not over \$12,800 4% of the taxable income~~
28. ~~Over \$12,800 but not over \$17,650 \$512 plus 4.5% of excess over \$12,800~~
29. ~~Over \$17,650 but not over \$20,900 \$730 plus 5.25% of excess over \$17,650~~
30. ~~Over \$20,900 but not over \$32,200 \$901 plus 5.9% of excess over \$20,900~~
31. ~~Over \$32,200 but not over \$107,650 \$1,568 plus 6.09 of excess over \$32,200~~
32. ~~Over \$107,650 but not over \$269,300 \$6,162 plus 6.41% of excess over \$107,650~~
33. ~~Over \$269,300 but not over \$1,616,450 \$16,524 plus 6.85 of excess over \$269,300~~
34. ~~Over \$1,616,450 \$108,804 plus 8.82% of excess over \$1,616,450~~
35.
36. The above non-smooth tax rate changes can be matched and simplified to their smooth tax rate changes.
37. For the yearly taxable income is: The tax rate and tax are: 2020 Tax rate range:
38. Not over \$180,000×S (YTI÷C÷S+0.04)×TI 4% - 6.1%
39. Over \$180,000×S (0.0882–(D×S÷YTI))×TI 6.1% - 8.82%

40. YTI is the yearly taxable income. S is tax filing status (2 for Married filing jointly and qualifying
41. widow(er) (2) and (5), 1 for Single and married filing separately (1) and (3) or 1.5 for Head of
42. household (4). C is 8,571,429 from 180,000 to divide (÷) the 1-st tax rate range difference (0.061-
43. 0.04). D is 4,896 from 180,000 to multiply (×) the 2-nd tax rate difference (0.0882-0.061). The 8 tax
44. brackets are matched and reduced to 2 tax rate ranges of 4%-6.1%-8.82% for taxable income ranges
45. ranges of 0-\$180,000×S- in 2020, which can be reformed and adjusted.
46. 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
47. yearly, semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

***Notes:**

1. For 2020, the existing 8 tax brackets (4%, 4.5%, 5.25%, 5.9%, 6.09%, 6.41%, 6.85%, and 8.82%), 144 (8×3×6) formulas, 24 tax rate ranges and Withholding Tables (11 pages) can be matched and simplified by 3 brackets/formulas (4%-6%-6.7%-8.82%) fairly(*) with 99% reduction (1-(3÷8)(3÷144)).

2. The 11-page withholding tables and 144 (8×3×6) formulas can be eliminated and replaced by the 3 formulas simply and fairly. www.tax.ny.gov/pdf/publications/withholding/nys50_t_nys_721.pdf

Withholding/Income Tax=(Incomes±Adjustments-(Deductions+Exemptions)÷F)×Tax rate-Tax credits÷F
Total Tax=0.04SumYTib+Sum(YTib×YTib)÷6,000,000+0.059SumYTic+Sum(YTic×YTic)÷125,714,286
 +Sum (0.0882YTId-21,200)

Standard deductions, exemptions and tax credits are used for withholding tax calculations. F=1 is for tax returns. Tax Table (8 pages) or its formula can be used as one option.

www.tax.ny.gov/pdf/2020/inc/it201i_2020.pdf www.tax.ny.gov/pdf/current_forms/it/it201i.pdf#page=57
www.tax.ny.gov/pdf/publications/withholding/nys50_t_nyc.pdf

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

3. Another option is to reduce existing 8 tax brackets to 3 with such as 4%-6%-6.7%-8.82% for yearly taxable incomes (YTI) of 0-\$120,000-\$1,000,000- in 2020. Also 4% may be reduced to such as 3.9% to have neutral tax revenue change and help low-end incomers to reduce taxes slightly, which needs its Fiscal Note from DOR. B is 6,000,000 from 120,000÷(0.06-0.04). C is 125,714,286 from (1,000,000-120,000)÷(0.067-0.06). D is 21,200 from 1,000,000×(0.0882-0.067). There is little or no tax revenue change.

4. For existing tax reforms, tax brackets, tax rates, taxable income ranges and tax goal are considered at the same time, which are affected each other and complex. With this tax simplification, only 3 or 4 tax rates at bottom, middle (1 or 2) and top are adjusted to meet a tax goal. The factors are explained by our research paper (*Research paper: Page 508).

Bill Summary

Bill xxx - This bill can match and simplify existing 8 tax brackets, 24 taxable income ranges, 144 (8×3×6) formulas, and 11-page Withholding Tables with 2 brackets and formulas. Tax statuses are numbered with 1, 1.5 or 2. 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, \$180,000, and top for tax revenue projection are adjusted by lawmakers.

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