OKLAHOMA BILL NO. _____ Individual income tax simplification

Summary: One simple linear formula is used to match OK tax systems fairly and efficiently for replacing existing 7 tax brackets, 14 taxable income ranges (**Problem #1: too many range**), 112 (7×2×8) formulas (**Problem #2: too many formulas**), and 10-page Withholding Tables (**Problem #3: too many pages**).

AN ACT relates to income tax. A tax is hereby imposed upon taxable income of every resident, which tax rate and tax shall be computed in accordance with the following Tax Rate Schedule:

https://oklahoma.gov/content/dam/ok/en/tax/documents/resources/publications/businesses/withholding-tables/WHTables-2021.pdf

A tax on the brackets of the amounts of wage or taxable income as follows:

~~If the amount of wage* is:~~	~~The income tax to withhold is:~~
~~For Single Persons:~~	
~~Not over $6,350~~	~~0% of the taxable income~~
~~Over $6,350 but not over $7,350~~	~~$0 plus 0.5% of excess over $6,350~~
~~Over $7,350 but not over $8,850~~	~~$5 plus 1% of excess over $7,350~~
~~Over $8,850 but not over $10,100~~	~~$20 plus 2% of excess over $8,850~~
~~Over $10,100 but not over $11,250~~	~~$45 plus 3% of excess over $10,100~~
~~Over $11,250 but not over $13,550~~	~~$79.5 plus 4% of excess over $11,250~~
~~Over $13,550~~	~~$171.5 plus 5% of excess over $13,550~~
~~For Married Persons:~~	
~~Not over $12,700~~	~~0% of the taxable income~~
~~Over $12,700 but not over $14,700~~	~~$0 plus 0.5% of excess over $12,700~~
~~Over $14,700 but not over $17,700~~	~~$10 plus 1% of excess over $14,700~~
~~Over $17,700 but not over $20,200~~	~~$40 plus 2% of excess over $17,700~~
~~Over $20,200 but not over $22,500~~	~~$90 plus 3% of excess over $20,200~~
~~Over $22,500 but not over $24,900~~	~~$159 plus 4% of excess over $22,500~~
~~Over $24,900~~	~~$255 plus 5% of excess over $13,550~~

For the yearly wage* (YW) is:	The tax rate and withholding tax are:	Tax rate range:
Not over $24,000×S	(YW÷C1÷S +0.005) ×TI	0.5% - 2.89%
Over $24,000×S	(0.05–(D1×S÷YW))×TI	2.89% - 5%

YW is the yearly wage (*after subtracting withholding allowances). S is tax filing status (1 for Single Persons or 1.9 for Married Persons). C1 is 1,004,184 from 30,000 to divide (÷) the 1-st tax rate range difference (0.0289-0.005). D1 is 506.4 from 24,000 to multiply (×) the 2-nd tax rate range difference (0.05-0.0289). Tax rate ranges are 0.5%-2.9%-5% for taxable income ranges of 0-$24,000-. YW is W×F. F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly, semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

https://oklahoma.gov/content/dam/ok/en/tax/documents/forms/individuals/current/511-Pkt.pdf (P. 39)

For the yearly taxable income (YTI) is:	The tax rate and tax are:	Tax rate range:
Not over $24,000×S	(YTI÷C2÷S +0.005) ×TI	0.5% - 4.22%
Over $24,000×S	(0.05–(D2×S÷YTI))×TI	4.22% - 5%

YTI is the yearly taxable income (after adjustments, deductions and exemptions). S is tax filing status (1 for Single Persons or 1.9 for Married Persons). C2 is 645,161 from 24,000 to divide (÷) the 1-st tax rate range difference (0.0422-0.005). D2 is 187.2 from 24,000 to multiply (×) the 2-nd tax rate range

40. difference (0.05-0.0422). Tax rate ranges are 0.5%-2.9%-5% for taxable income ranges of 0-$24,000-.
41. YTI is TI×F. F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly, semi-yearly, quarterly, monthly,
42. semi-monthly, bi-weekly, weekly or daily basis).

Examples:	**Tax rate and tax are:**
1. YTI=$21,000 (S=1):	(21,000÷645,161÷1+0.005)×21,000=0.03755×21,000 = 788.55
2. Bi-weekly TI is $3,000 (S=1.9):	(0.05-187.2×1.9÷3,000÷26)×3,000=0.045442×3,000 = 136.32
3. Monthly TI is $1,750 (S=1):	(1,750×12÷645,161÷1+0.005)×4,000=0.03755×1,750 = 65.71

***Notes:**

1. With this simplification, the existing 7 tax brackets and tax rate ranges (0%, 0.5%, 1%, 2%, 3%, 4% and 5%), 14 tax rate ranges, 112 (8×2×8) formulas and 10-page Withholding Tables can be matched and simplified to 2 fair ** brackets and formulas (0.5%-4.22%-5%) with 99% reduction (1-(2÷112) (2÷7)).

Withholding/Income Tax=(Incomes±Adjustments-(Deductions+Exemptions)÷F)×Tax rate-Tax credits÷F
Total Tax = 0.005 SumYTIc + Sum(YTIc×YTIc) ÷ 645,161 + Sum (0.05YTId-187.2)

At YTI $24,000, tax is $1,013 (tax rate at 4.22%) from the Tax Table, which is matched from 0.05-187.2÷24,000 at tax rate 4.22% and tax $1012.80. Standard deductions, exemptions and tax credits are used for withholding tax calculations. F=1 is for tax returns. Tax Table (12 pages) or its formula can be used as one option. The 12 pages of the Tax Table may be reduced to 6 pages.
https://oklahoma.gov/content/dam/ok/en/tax/documents/forms/individuals/current/511-Pkt.pdf
**Fair tax rate changes: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf
(3. Tax Rate Change Speed, Checking Tool, Tax Status and Simplification)

2. Standard deductions are $6,350 for Single and Married filing separately, $9,350 for Head of Household and $12,700 for Married filing jointly and Qualifying Widow(er), which may be matched/simplified by $6,350×S (S is 1, 1.5 or 2). S is 1 or 1.9 according to existing income tax schedules. 1.9 is suggested to 2 simply.

3. With this simplification, the bottom tax rate 0.5% may be reduced to such as 0.4%-4.22%-5% for not over and over $24,000 to have neutral tax revenue, which needs to be evaluated by DOR. Other incomers have no tax rate and tax difference.

4. For over $100,000×S, the same tax formula is converted into tax rate and tax format.
(4,812+0.05 (YTI-100,000)= (0.05 - 188÷YTI)×YTI into (0.05 – (D×S÷YTI)) × TI)
(4,645+0.05 (YTI-100,000)= (0.05 - 355÷YTI)×YTI into (0.05 – (D×S÷YTI)) × TI)
(S is 1 or 1.9 from 355÷ 188)

5. 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 (0.5%), middle ($24,000) and top (5%) are adjusted to meet a tax goal. The factors are explained by our research paper (Page 508).

Bill Summary

This bill can match and simplify existing 7 tax brackets, 14 taxable income ranges, 112 (7×2×8) formulas and 10-page Withholding Tables with 2 formulas and brackets. The 2 tax statuses are numbered as 1 or 2 simply. Withholding taxes, payrolls, withholding reports, income taxes, tax returns, tax analyses, fiscal notes, tax projections, and tax reforms can be simplified. A checking tool is provided to check and reduce calculation mistakes. For future tax reforms, only 3 tax rates at bottom, $24,000 and top are adjusted to meet a tax revenue goal by lawmakers.

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