

**OREGON BILL NO. \_\_\_\_\_ Individual income tax simplification**

**Summary:** One simple linear formula and one existing formula are used to match OR tax systems fairly and efficiently for replacing existing 4 tax brackets, 8 taxable income ranges (**Problem #1: too many ranges**), 60 (6×2×5) formulas (**Problem #2: too many formulas**), and 5-page Withholding Tables (**Problem #3: too many pages and too complex**).

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.oregon.gov/dor/forms/FormsPubs/publication-or-estimate\\_101-026\\_2023.pdf](http://www.oregon.gov/dor/forms/FormsPubs/publication-or-estimate_101-026_2023.pdf) (Page 3)
6. A tax on the brackets of taxable income as follows:
7. ~~If the taxable income is: \_\_\_\_\_ The tax are:~~
8. ~~Chart S: Single or Married filing separately~~
9. ~~Not over \$4,050 \_\_\_\_\_ 4.75% of taxable income~~
10. ~~Over \$4,050 but not over \$10,200 \_\_\_\_\_ \$192 plus 6.75% of excess over \$4,050~~
11. ~~Over \$10,200 but not over \$125,000 \_\_\_\_\_ \$607 plus 8.75% of excess over \$10,200~~
12. ~~Over \$125,000 \_\_\_\_\_ \$10,652 plus 9.9% of excess over \$125,000~~
13. \_\_\_\_\_
14. ~~Chart J: Married filing jointly, Head of household, or Qualifying surviving spouse~~
15. ~~Not over \$8,100 \_\_\_\_\_ 4.75% of taxable income~~
16. ~~Over \$8,100 but not over \$20,400 \_\_\_\_\_ \$385 plus 6.75% of excess over \$8,100~~
17. ~~Over \$20,400 but not over \$250,000 \_\_\_\_\_ \$1,215 plus 8.75% of excess over \$20,400~~
18. ~~Over \$250,000 \_\_\_\_\_ \$21,305 plus 9.9% of excess over \$250,000~~
19. \_\_\_\_\_
20. The above non-smooth tax rate changes can be matched and simplified to their smooth tax rate changes.
21. For the yearly taxable income (YTI) is:                      The tax rate and tax are:                      2023 Tax rate range:
22. Not over \$50,000×S    (YTI÷C÷S+B)×TI    4.75% - 8%
23. Over \$50,000×S    (T-(D×S÷YTI))×TI    8% - 9.9%
24. \_\_\_\_\_
25. YTI is the yearly taxable income. S is tax filing status (1 for Single or Married Filing Separate, or 2 for
26. Married Filing joint, Head of Household or Qualifying surviving spouse. B is bottom tax rate 4.75%. T
27. is top tax rate 9.9%. C is 1,538,461.5 from 50,000 to divide (÷) the 1-st tax rate range difference
28. (0.08-0.0475). D is 950 from 50,000 to multiply (×) the 2-nd tax rate difference (0.099-0.08). Bottom
29. tax rate, top tax rate, and tax rate at \$50,000 can be reformed.
30. YTI=TI×F, TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
31. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

**Examples:**

**Tax rate and tax are:**

1. YTI=\$45,678 (S=1):                       $(45,678 \div 1,538,461.5 \div 1 + 0.0475) \times 45,678 = 0.07719 \times 45,678 = 3,525.92$
2. YTI=\$120,000 (S=2):                       $(0.099 - 950 \times 2 \div 120,000) \times 120,000 = 0.08317 \times 120,000 = 9,978.00$
3. Monthly TI is \$10,000 (S=2):                       $(0.099 - 950 \times 2 \div 10,000 \div 12) \times 10,000 = 0.08317 \times 10,000 = 831.67$
4. Bi-weekly TI is \$1,756 (S=1):                       $(1,756 \times 26 \div 1,538,461.5 \div 1 + 0.0475) \times 1,756 = 0.077176 \times 1,756 = 135.52$

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**\*Notes:**

1. With this simplification, the existing 4 tax brackets (4.75%, 6.75%, 8.75%, and 9.9%), 8 taxable income ranges, 60 (6×2×5) withholding formulas, and 5-page Withholding Tables can be matched and simplified by 2 formulas and brackets (4.75%-8%-9.9%) fairly (\*) with 98% reduction (1- 2÷60)).

[www.oregon.gov/dor/forms/FormsPubs/publication-or-estimate\\_101-026\\_2023.pdf](http://www.oregon.gov/dor/forms/FormsPubs/publication-or-estimate_101-026_2023.pdf)  
[www.oregon.gov/dor/forms/FormsPubs/withholding-tax-formulas\\_206-436\\_2023.pdf](http://www.oregon.gov/dor/forms/FormsPubs/withholding-tax-formulas_206-436_2023.pdf)  
[www.oregon.gov/dor/forms/FormsPubs/withholding-tax-tables\\_206-430\\_2022.pdf](http://www.oregon.gov/dor/forms/FormsPubs/withholding-tax-tables_206-430_2022.pdf)

2. Standard deductions, exemptions, and tax credits are used for withholding tax calculations. F=1 is for tax returns. Actual deductions, exemptions, and tax credits are used for tax returns.

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

**Total Tax**= Sum (YTIc÷C÷S + 0.0475) YTIc + Sum (0.099 YTI d - (D×S))

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

3. OR 3-page Tax Table or its one formula can be as one option for taxable incomes not over \$50,000×S. S is different tax status numbers such as 2 or 1.

[www.oregon.gov/dor/forms/FormsPubs/form-or-40-inst\\_101-040-1\\_2022.pdf](http://www.oregon.gov/dor/forms/FormsPubs/form-or-40-inst_101-040-1_2022.pdf)

4. For over \$50,000×S, existing tax formula format is converted to tax rate and tax formula format.

10,652+9.9% (YTI-125,000 = (0.099 – D÷YTI) × YTI into (0.099 – (D×S÷YTI)) × TI

5. With this simplification, the bottom tax rate 4.75% may be reduced to such as 4.6%-8%-9.9% for not over and over \$50,000×S 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. There is slight or no tax rate and tax difference.

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 4 tax brackets, 60 (6×2×5) withholding formulas, 8 tax rate ranges, and 5-page Withholding Tables with 1 linear formula and 1 existing formula in 2 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, \$50,000, and top are adjusted to meet a tax goal.

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