

Tax Problem and Solution for Arkansas

Summary: Many states have complex tax calculation systems with multi tax brackets such as AR has 12, MO has 9 (1-10), KS has 3 (up to 8), CA has 9, and MN has 4 (up to 11) tax brackets during the past **100 years**. There are 45-216 withholding formulas*, xx-page withholding tables and x-xx page tax tables.

Two or one simple slope formula can be used to match and replace existing tax system with complex formulas and tables fairly and efficiently and to save xx-xxx millions of dollars (Table 6*).

* Research paper: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf

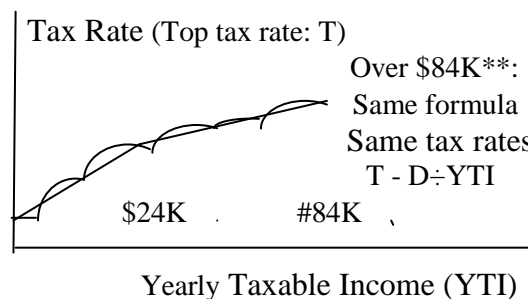


1. Multi-bracket Personal Income Tax Systems and Solution

AR Tax Calculation System:

12 tax brackets at 0%, 2%, 3% 6.6% (2020)
 72 withholding formulas (12×6)
 80-page Withholding Tables and 5-page Tax Table
 (Neutral tax revenue)

Long-Term Solution: 3 or 2 Formulas
 (To simplify AR systems and save millions of dollars)



Bill Draft for Personal Individual Income Tax:

For all individuals regardless of filing status, the tax shall be computed with the following formula:

If the yearly taxable income (YTI) is:	The tax rate and tax are:	Tax rate range:
Not over \$24,000	$(YTI \div A) \times TI$	0% - 3.23%
\$24,000 - \$84,000	$(YTI \div C + 0.0227) \times TI$	3.23% - 5.63%
Over \$84,000	$(0.066 - (D \div YTI)) \times TI$	5.63% - 6.6%

Where: 0 (0%) is bottom tax rate and 0.066 (6.6%) is top tax rate in 2020, which can be reformed.

A = 743,034 from 24,000 to divide the 1-st tax rate range difference $(24,000 \div (0.0323 - 0))$ in 2020.

C = 2,500,000 from 60,000 to divide the 2-nd tax rate range difference $(0.0563 - 0.0323)$ in 2020.

D = 814.8 from 840,000 to multiply the 3-rd tax rate range difference $(0.066 - 0.0563)$ in 2020.

F = the number of filing periods (52, 26, 24, 12, 4, 2, 1 or 364 for weekly, bi-weekly, semi-monthly, monthly, quarterly, semi-annual, annual or daily filing periods).

Tax rate ranges are 0%-3.23%-5.63%-6.6% for YTI 0-\$24,000-\$84,000 and over \$84,000 in 2020.

TI = taxable income.

$YTI = \text{yearly taxable income} = TI \times F$.

(** For over \$84,000×S, the same tax formula is converted into tax rate and tax format.)

Examples:

Tax rate and tax are:

- YTI=\$48,000 in 2020: $(YTI \div C + 0.0227) \times TI = (48,000 \div 2,500,000 + 0.0227) \times 48,000 = 0.0419 \times 48,000 = 2,011.20$
- Monthly is \$4,000: $(YTI \div C + 0.0227) \times TI = (4,000 \times 12 \div 2,500,000 + 0.0227) \times 48,000 = 0.0419 \times 4,000 = 167.60$
- Biweekly is \$3,500: $(0.066 - D \div YTI) \times TI = (0.066 - 814.8 \div 3,500 \div 26) \times 3,500 = 0.057046 \times 3,500 = 199.66$

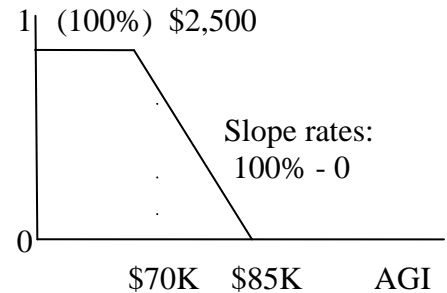
** Another option is to have 2 brackets such as 3.23%-4.6%-6.6% for YTI not over and over \$60,000.

For more information, contact us at johnlee@taxsimplecenter.net or 913-710-0957

2. Student Loan Interest Deduction Simplification

AR maximum student loan interest deduction is \$2,500. It is also depended on adjustable gross income (AGI), When AGI is more than \$170,000 for Married Filing Jointly (MJ) or Qualifying Widow(er) or \$85,000 for all Others (2021), there is no student loan interest deduction allowed.

Smooth rates between 100% to 0 are needed. When AGI values are increased from \$70,000×S to \$85,000×S, the rates are from 1 (100%) to 0 gradually. Status (S) is 1 or 2.



Long-Term Solution: One formula

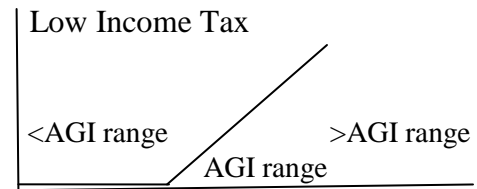
Bill Draft for Student Loan Interest Deduction:

The student loan interest deduction shall be computed with the following formula. For Married Filing Jointly or Qualifying Widow(er): S=2 or all Others: S=1.

If the adjustable gross income (AGI) is:	The maximum IRA rate and contribution are:	Rate check
Not over \$70,000×S.....	1 (100%)×2,500	1 (100%)
\$70,000 - \$85,000×S	$(1-(AGI-70,000 \div S) \div 15,000 \div S) \times 2,500$	1 - 0
Over \$85,000×S.....	No deduction and enter 0	0

3. Low Income Tax Table Simplification

AR Low Income Tax Table has 2 pages with 348 AGI numbers and 174 tax numbers (2020), which are simplified with 5 formulas as one option. Status: Single #1, Married Filing Joint #2, Head of Household #3 or Surviving Spouse #6



Status	Tax (<AGI range)	AGI range	Tax Formula	Tax (>AGI range)
#1 Single	0	12,000-15,000	$AGI \div 15 - 800$	Regular method
#3 or #6 with 1 or No Dependent	0	18,000-22,000	$AGI \div 9.4 - 1,915$	Regular method
#3 or #6 with 2 or more Dependents	0	21,500-25,000	$AGI \div 6.6 - 3,259$	Regular method
#2 with 1 or No Dependent	0	21,500-25,000	$AGI \div 7.6 - 2,828$	Regular method
#2 with 2 or more Dependents	0	25,725-31,300	$AGI \div 6.1 - 4,217$	Regular method

Bill Draft for Low Income Tax Table Simplification

The Low Income Tax shall be computed with the following formula (2020) as one option.

Status#	If the adjustable gross income (AGI) is:	The tax is:
#1	\$12,000-\$15,000.....	$AGI \div 15 - 800$
#3 or #6 with 1 or No Dependent	\$18,000-\$22,000.....	$AGI \div 9.4 - 1,915$
#3 or #6 with 2 or more Dependents	\$21,500-\$25,000.....	$AGI \div 6.6 - 3,259$
#2 with 1 or No Dependent	\$21,500-\$25,000.....	$AGI \div 7.6 - 2,828$
#2 with 2 or more Dependents	\$25,725-\$31,300.....	$AGI \div 6.1 - 4,217$

For under the AGI range, tax is 0. For above the AGI range, tax is calculated with Standard or Itemized Deduction and Regular Income Tax Tables.

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