

Tax Problem and Solution for New York

Summary: Many states have complex tax calculation systems with multi tax brackets such as NY has 8, MO has 9, 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.

One simple linear formula and one existing formula can be used to match/replace existing complex state tax systems fairly and efficiently and to save hundred millions of dollars (Table 6*).

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

1. Multi-bracket Personal Income Tax Systems and Simple Solution

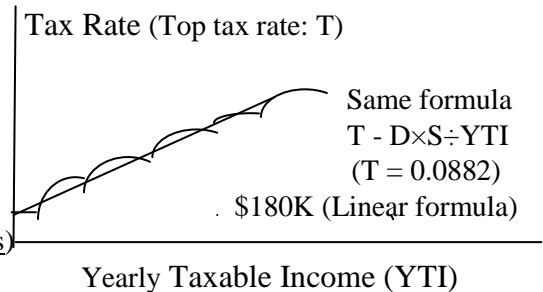
NY State Tax Calculation System:

8 tax brackets at 4%, 4.5%, and 8.82% (2020)

144 withholding formulas (8×3×6)

11-page Withholding Tables

(Neutral tax revenue)



Long-Term Solution: 2 Formulas

(To simplify NY tax systems and save hundred millions of dollars)

www.tax.ny.gov/pdf/2020/inc/it201i_2020.pdf (Page 49-57)

Bill Draft for Individual Income Tax Simplification:

For all individuals, the tax shall be computed with the following formula:

- | | | |
|--|--|----------------------|
| 1. For the yearly taxable income is: | The tax rate and tax are: | 2020 Tax rate range: |
| 2. Not over \$180,000×S | $(YTI \div C \div S + 0.04) \times TI$ | 4% - 6.1% |
| 3. Over \$180,000×S | $(0.0882 - (D \times S \div YTI)) \times TI$ | 6.1% - 8.82% |
| 4. | | |
| 5. Where: C is 8,571,429 from 180,000 to divide (÷) the 1-st tax rate range difference (0.061-0.04) in 2020. | | |
| 6. D = 4,896 from 180,000 to multiply (×) the 2-nd tax rate difference (0.0882-0.061) in 2020. | | |
| 7. F = the number of filing periods (52, 26, 24, 12, 4, 2, 1 or 364 for weekly, bi-weekly, semi-monthly, | | |
| 8. monthly, quarterly, semi-annual, annual or daily filing periods). | | |
| 9. S = tax status (2 for Married filing jointly and qualifying widow(er) (2) and (5), 1 for Single and married | | |
| 10. filing separately (1) and (3) or 1.5 for Head of household (4). | | |
| 11. TI = taxable income. | | |
| 12. Tax rate ranges = 4%-6.1%-8.82% for yearly taxable income 0 - \$180,000×S - in 2020, which may be | | |
| 13. reformed. | | |
| 14. YTI = TI × F = yearly taxable income | | |

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Examples:

2020 Tax rate and tax are:

1. YTI=\$96,000 in 2020: $(YTI \div B \div S + 0.04) \times TI = (96,000 \div 2 \div 8,571,429 + 0.04) \times 96,000 = 0.0456 \times 96,000 = 4,377.60$
2. YTI is \$1,200,000 (S=1): $(0.0882 - 4,896 \times 1 \div 1,200,000) \times 1,200,000 = 0.08412 \times 1,200,000 = 100,944.00$
3. Monthly TI is \$8,000 (S=2): $(8,000 \times 12 \div 2 \div 8,571,429 + 0.04) \times 8,000 = 0.0456 \times 8,000 = 364.80$
4. Biweekly TI is \$46,153.85: $(0.0882 - 4,896 \times 1 \div 46,153.85 \div 26) \times 46,153.85 = 0.08412 \times 46,153.85 = 3,882.46$

** Another option is to have 2 brackets such as 4%-6.2%-8.82% for YTI not over and over \$240,000×S.

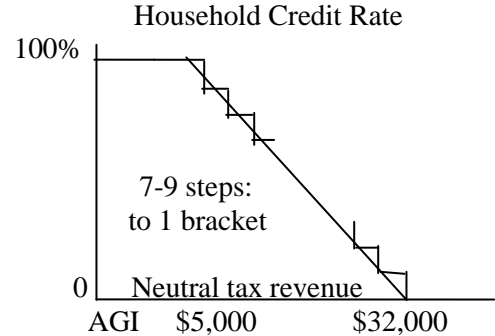
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2. New York State Household Credit

NY state household credit has \$75 to \$20 for Filing status (1) Single with 7 steps, \$90 to 0 for Filing status (2), (4) and (5), and \$45 to 0 for Filing status (3) Married filing separate with 9 steps. Also each more dependent number has \$8, which is reduced from 100% to 0 when AGI from \$5,000 to \$32,000. For Single, AGI range is from \$5,000 to \$28,000. There are 137 household credit numbers. These steps have cliff problems.

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One slope solution can be used to match related tax credit rates between 100% and 0 gradually from 7-9 steps to 1 bracket with about 88% reduction.



NY State Household Credit (HC)

AGI	0-5,000	5,000-32,000	Over 32,000
Credit	100%	(1 - 0) (HC)	0
$HC = (45 \times S1 + (N-1) \times 8 \times S1) \times (1 - (AGI - 5,000) \div 27,000)$			
S1=1 for Status (3) Married filing separate, 2 for (2), (4) and (5) or 1.67 for Status (1) Single.			
N=Dependent number 1, 2, 3, 4, 5, 6, 7 or over 7 (See Note 3) for all Statuses except Status (1) Single: N=1.			

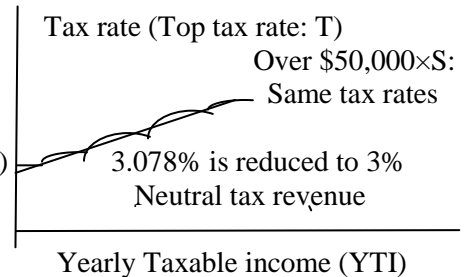
3. NY City Tax Calculation System:

4 tax brackets at 3.078%, 3.762%, 3.819% and 3.876% (2021)
 72 withholding formulas (4x3x6)
 21-page Withholding Tables

www.tax.ny.gov/pdf/current_forms/it/it201i.pdf#page=57 (Page 59-67)

Long-Term Solution: 2 formulas

(* To simplify NYC tax systems and save millions of dollars)



Bill Draft for Individual Income Tax Simplification:

For all individuals, the tax shall be computed with the following formula:

- For the yearly taxable income is: The tax rate and tax are: 2021 Tax rate range:
- Not over \$50,000xS5 $(YTI \div C \div S5 + 0.03) \times TI$ 3% - 3.626%
- Over \$50,000xS5 $(0.03876 - (D \times S5 \div YTI)) \times TI$ 3.626% - 3.876%
- Where: C = 7,987,220 from 50,000 to divide (÷) the 1-st tax rate range difference (0.03626-0.03) in 2021.
- D = 125 from 50,000 to multiply (×) the 2-nd tax rate difference (0.03876-0.03626) in 2021.
- 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).
- S5 = NY City tax status (1.8 for Married filing jointly and qualifying widow(er) (2) and (5), 1 for Single and married filing separately (1) and (3) or 1.2 for Head of household (4).
- TI = taxable income.
- Tax rate ranges = 3%-3.626%-3.876% for yearly taxable income not over and over \$50,000xS in 2021.
- YTI = TI × F = yearly taxable income

Examples:

2021 Tax rate and tax:

- YTI=\$96,000 in 2021: $(YTI \div B \div S5 + 0.03) \times TI = (96,000 \div 1.8 \div 7,987,220 + 0.03) \times 96,000 = 0.036677 \times 96,000 = 3,521.02$
- Monthly TI=\$8,000 (S5=2) in 2021: $(8,000 \times 12 \div 1.8 \div 7,987,220 + 0.03) \times 8,000 = 0.036677 \times 8,000 = 293.42$
- Biweekly TI=\$3,000 (S5=1) in 2021: $(0.03876 - 125 \times 1 \div 3,000 \div 26) \times 3,000 = 0.037157 \times 3,000 = 111.47$

4. Simplification for NY State Additional Tax with NY AGI of more than \$107,650

(Simple formulas are used to replace the correct tax computation worksheet for different filing statuses)

www.tax.ny.gov/pdf/current_forms/it/it201i.pdf#page=57 (Page 52-57)

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