Summary of Tax Simplification for WI (Saving $175 Million/Year)
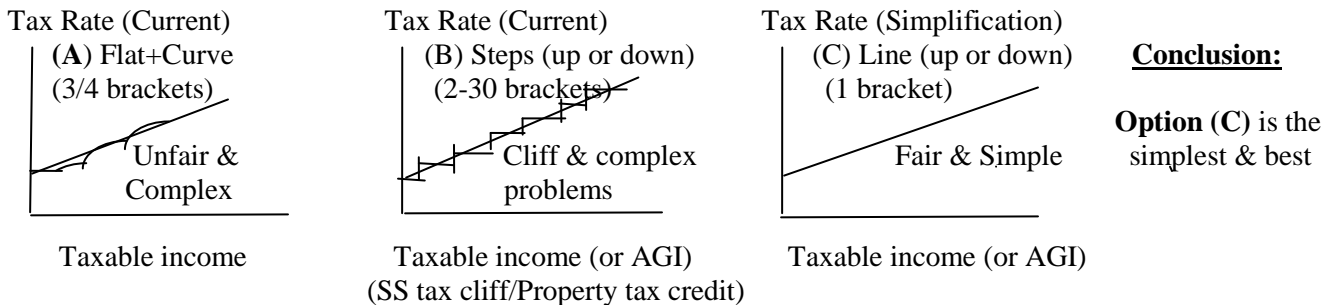https://taxsimplecenter.net/statetaxsimplification.html (J....WI)

1. **Basic Question: What Tax Rates Are Fair and Simple?** When 2 tax rates are set, **effective (linear) tax rates between the two points with a straight line are fair and simple. Existing flat and curve or step tax rates** with less or more tax brackets **are unfair and complex.** (FIG. 1)

2. **Tax Simplification, Publication, Benefit and Value:** Effective (linear) and gradual (LG) tax simplification has been developed, which is supported by our 12 publications at   http://taxsimplecenter.net/publication.html The LG tax simplification has 15 benefits for lawmakers, companies, taxpayers and department of revenue. Its **value is about $190 million/year**, which is based on 3 million tax returns per year. (Page 2)

3.   **FIG. 1**   **Current Tax Rates (A and B) and Simplification (C)**

Tax Rate (Current)	Tax Rate (Current)	Tax Rate (Simplification)	
(A) Flat+Curve (3/4 brackets)	(B) Steps (up or down) (2-30 brackets)	(C) Line (up or down) (1 bracket)	**Conclusion:**
Unfair & Complex	Cliff & complex problems	Fair & Simple	**Option (C)** is the simplest & best
Taxable income	Taxable income (or AGI) (SS tax cliff/Property tax credit)	Taxable income (or AGI)	

4. **Tax Simplification**

	Yearly taxable income ÷ S is:	Not over $120,000	Over $120,000
	Tax rate is:	(YTI÷S÷A)+0.0354	0.0765-(B×S÷YTI)

Wherein YTI=yearly taxable income, S=tax status (1, 2 or 1.5), A (constant)=120,000÷ 1-st tax rate difference =5,581,395 and B=120,000× 2-nd tax rate difference=2,400 (2020)

* Existing Tax Table or its formula (1 option) is used. Some people may still like Tax Table.

5. **Comparison between Existing and the LG Tax Calculation Systems**
a) Existing Tax System: Tax Schedules, 26-page Withholding Tables, Tax Table and tax computations (Change)
b) Simplification: 3 simple formulas (4 brackets→2)

6. **Lawmakers will reduce related political arguments** with different state tax brackets, taxable income ranges and tax rates. The 2 brackets are kept to replace existing 4 brackets, which is one of the 15 benefits

7. **Existing withholding tables (26 pages and related formulas)** are eliminated for companies to **save $77 million/year** if at $1/payroll/person to cover 11 areas. (Details: Page 5**)
www.revenue.wi.gov/DOR%20Publications/pb166.pdf

8. **Postcard (half page) Tax Return (or Tax Withholding Report and Modification**

9. **Existing two sub tax systems** are about 13 months apart. This simplification provides one system to simplify withholding tax, payroll, withholding report, tax return, analysis, reform and projection with 2 brackets.

10. **Other Applications:** https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wothers.pdf

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Benefits and Value of Tax Calculation Simplification ($175 Million/Year)

Effective (linear) and gradual (LG) tax simplification has been developed, which is supported by our 12 publications at http://taxsimplecenter.net/publication.html More tax brackets mean smooth tax rates, more complex, high cost and more tax revenue or less tax brackets mean rough tax rate changes, simple, less cost and less tax revenue relatively. The tax simplification can be used to have many benefits for lawmakers, companies, taxpayers and departments of revenue. Its value is based on 3 million tax returns per year in WI.

#	Benefits	Value
1.	Existing **4 tax brackets are matched and reduced to 2 comparably**.	Less time/More simple
2.	**Lawmakers select** tax bracket #, taxable income ranges, tax rates and computations for tax reforms now. With the tax simplification, **only 3 tax rates** are needed for tax projection.	Less time/hustle
3.	Simple formula improvement contributes to **Fiscal Note** (state department of revenue)	? $7 million
4.	**Tax Status** (S) is numbered with 1 for Married filing separately or Single, 2 for Married filing jointly or 1.5 for Head of Household. **Standard Deductions** are combined together and simplified into simple $x,xxx*S (S=1, 2 or 1.5). If ((1+0.5)x3 million):	$4.5 million
5.	**Withholding Tables** (26 pages) are not needed for companies to have simple tax rate formulas with filing periods (F) and S. If (1+0.2)/person/period (1.2x26x3 million):	$93 million (**Page 5)
6.	**Tax Table** are optional. Or only one tax rate/tax formula is needed. If ((1+0.5)x3 million):	$4.5 million
7.	**Combining** two existing sub tax systems (5/6) together without time delay (13M) for:	Real & quick tax
8.	**One tax credit formula** for simple & complex credits (including EITC) If (2x3 million): (1 non-refundable and 1 refundable tax credit formulas)	$6 million
9.	Many incomers with standard deductions and non-complex tax situations (50%) file **simple tax returns or tax withholding report modifications** If ((15+5)x50%x3 million):	$30 million
10.	**A checking tool** of two tax rate ranges (5.35%-7.1%-9.85%) is provided to check and reduce tax rate and tax calculation mistakes. If ((2+1)x3 million):	$9 million
11.	**Fraud crime** is inspected and reduced by comparing tax returns and tax withholding reports.	Less crime
12.	Postcard (or half page) tax return form can be used. If (5+2)/each (7x3 million):	$21 million
13.	Tax refunds with $100 or less are delayed to next-year refunds (in the Postcard Form).	Less time/cost
14.	State Department of Revenue will process less tax return during busy tax season and have more time to inspect more tax returns and collect more tax.	More tax
15.	The tax simplification can simplify payroll, analysis, reform and projection	Less time/costs

Total: **Less time/struggle, less mistake, less crime, less cost, more tax and <u>$175 million/year</u>**
(To Department of Revenue: $42 million/year)

More information is available at http://taxsimplecenter.net/statetaxsimplification.html

WI_____ Tax Calculation Simplification (It is a added into existing tax bill*)

If the yearly taxable income ÷ S is:	The tax rate and tax are:
$120,000 and under	$((YTI÷A÷S) + 0.035^*) \times TI$
Over $120,000	$(0.0765 – (B \times S÷YTI)) \times TI$

Wherein YTI=yearly taxable income, S=status (1 for Single or MFS, 2 for MFJ or 1.5 for HH), YTI=TI×F, TI=taxable income, F= filing period (1 for tax returns, 2, 4, 12, 24, 26, 52 or 265 for withholding taxes), A (constant)=120,000 ÷ 1-st tax rate difference (0.0565-0.035*)=5,581,395 and B (constant)=120,000 × 2-nd tax rate difference=2,400 (2020) according to two tax rate ranges of 0.0354-0.0565-0.0765 in 2020, which were 0.04-0.06-0.0765 in 2018 with different A (6,000,000) and B (1,980).

www.revenue.wi.gov/Pages/FAQS/pcs-taxrates.aspx

* (1) Existing 4 tax brackets are matched/reduced to 2. Tax Table or its formula (1 option) is used. Companies use the simple formulas to replace existing 18-page Withholding Tables for taxes and payrolls easily. Calculations of withholding taxes, payrolls, tax analysis, reform, and projection are simplified with 2 brackets.

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

  (2) Option: Existing 3.54% may be reduced to 3.5% to neutral tax revenue change. For 2 tax rate ranges of 0.0354-0.0565-0.0765, A is changed slightly and B is the same. Its rate formula is: (YTI÷S÷5,687,204)+0.0354. For 0.03-0.0565-0.0765, its rate formula is: (YTI÷S÷4,528,302)+0.03. Then low-end incomers will reduce their tax rates and income taxes without tax revenue change to the state. Then the both parties can benefit.

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Comparison between Existing and Simplified Tax Calculation Systems

1) Existing Tax Calculation System: Two sub tax systems (13 months apart), 18-page Withholding Tables,
6-page Tax Table and tax computations with 4 tax brackets

2) – 4) Simplification: 2 formulas to match

TI×F÷S	1) Existing System	2) 3.54-7.65%	3) 3.5-7.65%	4) 3-7.65%	Rate difference #2/#3/#4 - #1
500	0.0354	0.03548792	0.0350896	0.03011417	0.0001 / -0.0003 / -0.0053
3,500	0.0354	0.03627917	0.03562708	0.03077292	0.0009 / 0.0002 / -0.0046
5,000	0.0354	0.03627917	0.03589583	0.03110417	0.0009 / 0.0005 / 0.0378
20,000	0.0453434	0.0389167	0.0385833	0.0344167	-0.0064 / -0.0068 / -0.0109
75,000	0.05807157	0.0485875	0.0484375	0.0465625	-0.0095 / -0.0096 / -0.0115
120,000	0.0598072	0.0565	0.0565	0.0565	-0.0033 / -0.0033 / -0.0033
200,000	0.0626438	0.0645	0.0645	0.0645	0.0019 / 0.0019 / 0.0019
400,000	0.0695719	0.0705	0.0705	0.0705	0.0009 / 0.0009 / 0.0009
800,000	0.07303595	0.0735	0.0735	0.0735	0.0005 / 0.0005 / 0.0005
1,000,000	0.07372876	0.0741	0.0741	0.0741	0.0004 / 0.0004 / 0.0004
5,000,000	0.07594575	0.07602	0.07602	0.07602	0.0001 / 0.0001 / 0.0001

Summary for WI Tax Calculation Simplification

Existing WI tax system has 4 tax brackets and Withholding Tables (26 pages) and Tax Table (6 pages), which are complex. Also these tax schedules, taxable income ranges and tables are often changed yearly.

Income tax simplification has been developed with smooth tax rates, which can match/reduce existing 4 tax brackets to 2 comparably, simplify tax system, reduce political arguments, eliminate withholding tables, and save millions of dollars. New bill can match/simplify existing tax rates ranges to 2 smooth brackets of 3.54%-5.65%-7.65% (2020) or 4%-6%-7.65% (2018) comparably, which are also used as a checking tool to check calculation mistakes. A filing period number and tax status (S) number are used to match and replace existing Withholding Tables (26 pages) and tax tables comparably and simply.

For a tax reform, 2 brackets can be used and kept to avoid related political arguments with different tax state brackets and TI ranges and tax rates. Two rate ranges of 3.54%-5.65%-7.65% are adjusted to a projection. Many taxpayers with standard deductions may file simple format. Departments of Revenue may process less normal tax returns (goal: 50%) during busy tax seasons and inspect more tax returns. There are 15 benefits for lawmakers, employees, companies and Departments of Revenue. Then significant time and costs can be saved.

Total tax $(S=1) = 0.035\sum TIa + \sum(TIa)^2 \div 5{,}581{,}395 + 0.0765\sum TIb - 2{,}400\ B$ (2020)
Withholding/Income Tax $= (\text{Incomes} \pm \text{Adjustments} - (\text{Deductions} + \text{Exemptions}) \div F) \times \text{Tax rate} - \text{Tax credits} \div F$

TAX RETURN FORM   INDIVIDUAL INCOME TAX RETURN   .

Check one: O Married filing separately O Married filing jointly O Single O Head of household

Tax Status # (S)	1	2	1.5	1.5	**Form barcode**

Standard deductions:
Standard exemptions:
Standard tax credits:

Address:

A	B	C	D	E	F	G	
Year	Your name	Birthday	Social security (SS #)	Spouse name	Birthday	SS #	1
2020							2
Status (S)	Federal TI	Adjustments	Standard/Itemized deductions	Yearly Taxable income (YTI)	Alter. min tax	Partial/Non resident	3
							4
YTI ÷ S	Yearly TI/S	YTI (E4)	LG tax rate formula	Tax rate check	Tax rate	Tax / Table	5
	0-120,000		YTI÷5,581,395÷S+0.053	0.035-0.0565			6
	Over 120,000		0.0985 - 4,14×S÷YTI	0.0565-0.0765			8
Non-refund tax credits	Tax balance If <0,enter 0	Other taxes and Donations	WI tax withheld (W-2/1099s)	Tax refund (last year: ≤$100)	Refundable tax credits	Tax (Owe+/ Refund-)	9
							10

(1) Taxable income (YTI) = B4±C4-D4   (2) Tax balance (B10)=Tax+F4-G4–A10
(3) Tax(Owe+/Refund-) = B10+C10-D10-E10-F10   (4) Attach related documents except standard deduction and tax credit. If tax refund (G10) is not over $100, delay it to next year (E10) and file tax return. If tax refund is over $100, please fill in:

Tax return barcode

Bank routing#_____, Account #_____, and Name_____

Signature: Your_____ Spouse_____ Date_____
Third-party
preparer name_____ Address_____

EIN/SS#_____ Phone#_____ Date_____ Signature_____

* **Withholding Tables, Tax Table and Formulas:** Existing Tax Table and its formula can be provided for 1 option. Some people may still like to use tax numbers in the table. When 2 tax rates are set, linear tax rates between them are the most reasonable and simple comparing with existing tax rates with multi tax brackets.

** Existing 26-page withholding tables and related formulas (10x6+) can be eliminated by the two formulas and one withholding income tax formula to cover all allowances. After the formulas are set in such as Excel or Spreadsheet, related calculations are repeated simply. Related costs $**93 million** (=1.2x26x3 millions) from (1) making the 18-page tables, (2) publication, (3) checking tax numbers under 0-10 allowances (>10?), (4) inputs,

(5) using calculation formulas (10) at high wages and the >10, (6) filings, (7) transfers, (8) rechecking mistakes, (9) data analysis, (10) software, and (11) tax recalculations, can be reduced for Dept of Revenue and companies.

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

WI Standard Deduction Table simplification

WI provides changeable Standard Deduction Table, which has many (672) deduction numbers according to WI incomes (WII) by step-form decreases. Their initial standard deduction is $9,130, $10,380, $13,400 or $19,210 for Married filing separately, Single, Head of household or Married filing jointly. 2017 Standard Deduction Table can be matched and simplified by Table 2. If deduction is less than 0, enter 0.

www.revenue.wi.gov/TaxForms2017through2019/2017-Form1AandWI-Z-inst.pdf (Pages 39-40)

Table 2 WI Standard Deduction Simplification

Tax status	Standard deduction formula	Range check	WI income (WII) range
Married filing separately	9,130 – WII / 6.671741512	9130 – 0	0 – 60,000
Single	10,380 – WII / 9.633911368	10,380 – 0	0 – 100,000
Head of household	13,400 – WII / 7.462686567	13,400 – 0	0 – 100,000
Married filing jointly	19,210 – WII / 6.246746486	19,210 – 0	0 – 120,000

Table 2 can be further simplified into Table 3. The tax status (S) is 1 for Married filing separately, 2 for Married filing jointly or 1.5 for Single or Head of household to match Table 2 and existing Tax Table. Tax status (S) may be 1.2 for Single or 1.5 for Head of household to match Table 2. A common filing period factor (F) is 26.

Table 3 WI Standard Deduction Simplification

Tax status (S)	Standard deduction formula	Range check	WI income (WII) range
1, 1.2, 1.5 or 2	(10,000*S – WII / 6) / F	10,000*S/F – 0	0 – 60,000*S

Homeowner's or Renter's School Property Credit Table simplification

When rent paid is $10,000 without heat included in rent, its max tax credit is $300 with its formula at Rent*3/100. When rent paid is $12,500 with heat included in rent, its maximum tax credit is $300 at Rent*3/125. When a property tax (PT) is $2,500 or more, its maximum tax credit is $300, which is at PT*3/25. They may be deducted by one-bracket calculations.

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