

ARKANSAS BILL NO. _____ Individual Income Tax Simplification

Summary: Simple 1 existing formula and 1 linear formula can be used to match AR tax systems fairly and efficiently for replacing existing complex 5-12 tax brackets (**Problem #1: too many brackets**), 72 (12×6) withholding formulas (**Problem #2: too many formulas**), and 80-page Withholding Tables (**Problem #3: too many pages**). SB 8 has reduced the top tax rates to 4.4% for individuals and 4.8% for corporations.

www.arkleg.state.ar.us/Home/FTPDocument?path=%2FACTS%2F2023S1%2FPublic%2FACT6.pdf
www.arkleg.state.ar.us/Bills/FTPDocument?path=%2FBills%2F2023R%2FPublic%2FSB549.pdf

1. A bill for an act
2. relating to income taxation for calculating individual income tax rate and tax for every tax year on the
3. Arkansas taxable income of every resident, which is based on 2023 SB 8:
4. For tax year ~~2023~~-2024, and all tax years thereafter:
5. (1) If yearly taxable income is: The tax is: ~~(2) semi-yearly~~
6. ~~Not over \$4,699 0%~~
7. ~~\$4,699 9,199 0.02 TI 93.98 (3) quarterly~~
8. ~~\$9,199 13,899 0.03 TI 185.97~~
9. ~~\$13,900 22,899 0.034 TI 241.57 (4) monthly~~
10. ~~\$22,900 38,499 0.05 TI 427.71~~
11. ~~\$38,500 82,000 0.059 TI 774.20 (5) semi-monthly~~
12. ~~\$82,001 83,000 0.066 TI 1,255.70~~
13. ~~\$83,001 84,000 0.066 TI 1,155.70 (6) biweekly~~
14. ~~\$84,001 85,300 0.066 TI 1,055.70~~
15. ~~\$85,301 86,400 0.066 TI 955.70 (7) weekly~~
16. ~~\$86,401 87,500 0.066 TI 855.70~~
17. ~~\$87,501 and above 0.066 TI 815.70 (8) Daily~~
- 18.
19. If yearly taxable income is The tax rate and tax are 2023 Tax rate range* 2024 Tax rate range
20. Not over \$48,000 (YTI÷C + B) × TI 1.5% - 3.5% 2% - 3.34%
21. Over \$48,000 (T - (D÷YTI)) × TI 3.5% - 4.7% 3.34% - 4.4%
- 22.
23. For tax rate and tax in this section, YTI is the yearly taxable income, In 2024, T is top tax rate of 4.4%.
24. Bottom tax rate is 2%. Its first tax bracket with yearly taxable income not over \$5,100 at tax rate 0% is
25. combined into standard deduction.
26. C is 2,582,090 from 48,000 to divide the 1-st tax rate range difference (48,000÷(0.0334-0.02)). D is
27. 508.8 from 48,000 to multiply the 2-nd tax rate range difference (48,000×(0.044-0.0334)).
28. There are two tax rate ranges of 0.02-0.038-0.044 in 2024 at yearly taxable incomes not over and over
29. \$48,000. YTI=TI×F. TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
30. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).
31. When yearly taxable income is less than \$5,100, income tax is 0.

Examples:

*** 2023 Tax rate and tax are:**

1. Yearly YTI is \$48,000: $(YTI \div A) \times TI = (48,000 \div 2,400,000 + 0.015) \times 48,000 = 0.035 \times 48,000 = 1,680.00$
2. Monthly is \$4,000: $(YTI \div A) \times TI = (4,000 \times 12 \div 2,400,000 + 0.015) \times 4,000 = 0.035 \times 4,000 = 140.00$
3. Weekly is \$3,500: $(T - D \div YTI) \times TI = (0.047 - 576 \div 3,500 \div 52) \times 3,500 = 0.043835 \times 3,500 = 153.42$
4. Biweekly is \$7,000: $(T - D \div YTI) \times TI = (0.047 - 576 \div 7,000 \div 26) \times 7,000 = 0.043835 \times 7,000 = 306.85$
5. **2024** Monthly is \$4,000: $(YTI \div A) \times TI = (4,000 \times 12 \div 2,582,090 + 0.02) \times 4,000 = 0.0334 \times 4,000 = 133.60$
6. **2024** Biweekly is \$7,000: $(T - D \div YTI) \times TI = (0.044 - 508.8 \div 7,000 \div 26) \times 7,000 = 0.0412044 \times 7,000 = 288.43$

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

Corporate Income Tax Simplification

1. It relates to income taxation for calculating corporate income tax rate and tax.
2. For tax year 2024, and all tax years thereafter:
3. ~~(1) If yearly taxable income is: The tax is: (2) semi-yearly~~
4. ~~Not over \$3,000 1% (3) quarterly~~
5. ~~\$3,000 6,000 30 + 0.02 (YTI 3,000) (4) monthly~~
6. ~~\$6,000 11,000 90 + 0.03 (YTI 6,000) (5) semi-monthly~~
7. ~~\$11,000 25,000 240 + 0.05 (YTI 11,000) (6) biweekly~~
8. ~~Over \$25,000 940 + 0.051 (YTI 25,000) (7) weekly~~
- 9.
10. If yearly taxable income is The tax rate and tax are 2023 Tax rate range* 2024 Tax rate range
11. Not over \$25,000 $(YTI \div A + B) \times TI$ 1% - 3.76% 1% - 3.65%
12. Over \$25,000 $(T - (D \div YTI)) \times TI$ 3.76% - 5.1% 3.65% - 4.8%
- 13.
14. YTI is the yearly taxable income. In 2024, bottom tax rate is 1%. Top tax rate is 4.8%.
15. A is 943,396 from 25,000 to divide the 1-st tax rate range difference $(25,000 \div (0.0365 - 0.01))$. D is 287.5
16. from 25,000 to multiply the 2-nd tax rate range difference $(25,000 \times (0.048 - 0.0365))$.
17. There are two tax rate ranges of 0.01-0.0365-0.048 in 2024 at yearly taxable incomes not over and over
18. \$25,000.
19. $YTI = TI \times F$. TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
20. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

Examples:

* 2023 Tax rate and tax are:

1. Yearly TI is \$24,000: $(YTI \div A + 0.01) \times TI = (24,000 \div 905,797 + 0.01) \times 24,000 = 0.036496 \times 24,000 = 875.90$
2. Yearly TI is \$48,000: $(T - (D \div YTI)) \times TI = (0.051 - 335 \div 48,000) \times 48,000 = 0.04402 \times 48,000 = 2,447.99$
3. Monthly TI is \$5,432: $(T - (D \div YTI)) \times TI = (0.051 - 335 \div 5,432 \div 12) \times 5,432 = 0.04586 \times 5,432 = 249.12$
4. Quarterly TI is \$50,000: $(T - (D \div YTI)) \times TI = (0.051 - 335 \div 50,000 \div 4) \times 50,000 = 0.049325 \times 50,000 = 2,466.25$
5. **2024** Monthly TI is \$5,432: $(T - (D \div YTI)) \times TI = (0.051 - 335 \div 5,432 \div 12) \times 5,432 = 0.04586 \times 5,432 = 249.12$

Notes:

1. Arkansas has 5-12 tax brackets, 80-page Withholding Tables, 72 (12x6) formulas and 5-page Tax Table, which can be matched and simplified by 2 fair* brackets and formulas (simple 1 existing formula and 1 linear formula) with **97% reduction** (1-2÷72) for AR businesses, lawmakers, DOR, and taxpayers.

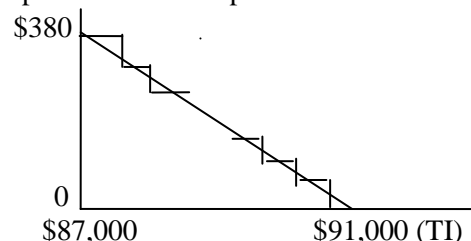
* Fair tax rate changes: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf
(3. Tax Rate Change Speed, Checking Tool, Tax Status and Simplification)

2. Bracket Adjustment Amount (BAA):

Arkansas has 39 brackets (SB 8) from \$87,001 to \$90,801 and up for its bracket adjustment amount (BAA) from \$380 to 0 with 39 brackets or lines, which is complex and can be simplified with 1 simple linear formula.

From	Not over	BAA
\$87,001	\$87,100	\$380
.....	18 Lines
\$88,401	\$88,500	\$240
.....	18 Lines
\$90,801 and up		\$0

One Formula:
 $380 (1 - (TI - 87,000) / 4,000)$



Example: $380 (1 - (88,450 - 87,000) / 4,000) = 242.25$

3. AR has existing Withholding Tables (80 pages) and related 72 formulas, which can be eliminated and replaced by the above 2 formulas for yearly taxable incomes 0-\$48,000-. Employers can calculate withholding taxes with Standard deductions, exemptions, and tax credits. Taxpayers calculate income taxes for tax returns with actual deductions, exemptions and tax credits.

$$(\text{Incomes} \pm \text{Adjustments} - (\text{Deductions} + \text{Exemptions}) \div F) \times \text{Tax rate} - \text{Tax credits} \div F$$

www.dfa.arkansas.gov/images/uploads/incomeTaxOffice/withholdTaxTablesRegularIncome.pdf (80 pages)

www.dfa.arkansas.gov/images/uploads/incomeTaxOffice/TaxBrackets_2020.pdf in 2020

www.dfa.arkansas.gov/images/uploads/incomeTaxOffice/whformula.pdf

4. Existing tax table (5 pages) or its formula is for people to have one option.

www.dfa.arkansas.gov/images/uploads/incomeTaxOffice/2020_AR1000F_and_AR1000NR_Instructions.pdf

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 other and complex. With this tax simplification, only 3 tax rates at bottom, \$48,000 and top are considered to adjust to meet a tax revenue goal, which is explained by our 2021 research paper (Page 508). www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf

Bill Summary

Bill xxx - This bill matches and simplifies existing multiple (5-12) tax brackets, 80-page Withholding Tables and 72 (12×6) formulas with 2 brackets and formulas for individual (or corporate) tax system. Payrolls, withholding reports, tax returns, tax analyses, tax reforms and tax projections can be simplified with the 2 brackets by 97% simplification instead of the existing 5-12 brackets. A checking tool is provided to reduce calculation mistakes. For a tax reform, only 3 tax rates at bottom, \$48,000 and top are adjusted to meet a tax revenue goal.

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