Tax Problem and Solution for Nebraska

Summary: Many states have complex tax calculation systems with multi tax brackets such as NE has 4, MO has 9 (1-10), MN has 4 (up to 11), and KS has 3 (up to 8) 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 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*).

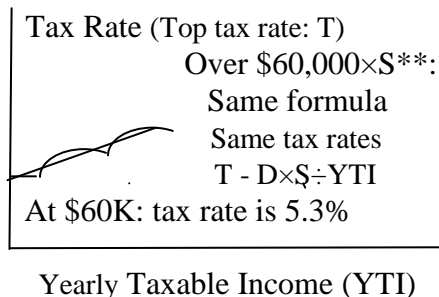* Research paper: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf

1. Multi-Bracket Personal Income Tax Systems and Solution

NE Tax Calculation System:
4 tax brackets at 2.46%, 3.51%, 5.01%, 6.84%
16 tax rate ranges
96 withholding formulas (4×4×6)
20-page Withholding Table

Tax Rate (Top tax rate: T)
  Over \$60,000×S**:
  Same formula
  Same tax rates
  T - D×S÷YTI
(Neutral tax revenue) At \$60K: tax rate is 5.3%

Long-Term Solution: Two Formulas
(* To simplify NE tax systems and save millions of dollars)

Yearly Taxable Income (YTI)

Bill Draft for Personal Income Tax Simplification:
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:
Not over \$60,000×S.. .... (YTI÷S÷C + 0.0246) × TI
Over \$60,000×S.. (0.0684 - (D×S÷YTI)) × TI

Where: Bottom tax rate is 2.46% and top tax rate is 6.84%, which may be reformed.
C = 2,112,676 from 120,000 to divide the 1st tax rate range difference (0.053-0.0246).
D = 924 from 60,000 to multiply the 2nd tax rate range difference (0.0684-0.053).
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).
S = status number (2 for Married Filing Joint, 1 for Single, 1 for Married Filing Separately or 1.5 for Head of Household).
Tax rate ranges = 2.46%-5.3%-6.84% for YTI not over and over \$60,000×S in 2021.
TI = taxable income.
YTI = annual taxable income = TI × F.

(** For over \$60,000×S, the same tax formula is converted into tax rate and tax format.)

Examples: **Tax rate and tax are:**
1. YTI=\$52,000 (S=1):   (52,000÷1÷2,112,676+0.0246)×52,000=0.049213×52,000=2,559.09
2. Biweekly TI is \$2,000 (S=1):   (2,000×26÷1÷2,112,676+0.0246)×2,000=0.049213×2,000=98.43
3. Monthly TI is \$12,500 (S=2): (0.0684-924×2÷12,500÷12))×12,500=0.05608×12,500=701.00

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

2. Nebraska Child and Dependent Care Expenses (Form 2442N)

Nebraska has the credit for child and dependent care expenses. There is the state decimal amount according to the Line 7 of Form 2441N.
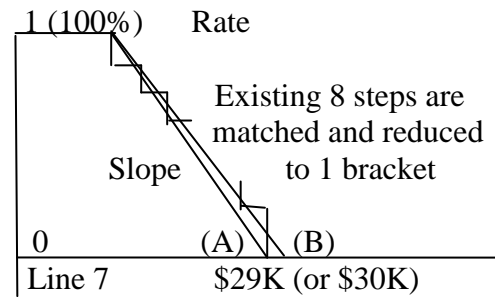
If Line 7 is					If Line 7 is			
Over		But not over	State decimal amount is		Over		But not over	State decimal amount is
		22,000	1.00		25,000	–	26,000	0.60
22,000	–	23,000	0.90		26,000	–	27,000	0.50
23,000	–	24,000	0.80		27,000	–	28,000	0.40
24,000	–	25,000	0.70		28,000	–	29,000	0.30

The 8 steps or cliffs can be matched and simplified with one formula to avoid the 8 steps or cliffs.

One slope bracket is used to replace the rates with 8 steps in the above table from 100% to 0.3 or 0 smoothly.

Credit for child and Dependent Tax Care Expenses

Line 7	0 - $29,000	Over $29,000
Credit rate	1–(Line 7 - 22,000)÷7,000)	0
or	1 –(Line 7 - 22,000)÷8,000)	0
	(Neutral tax revenue change)	

1 (100%)   Rate

Existing 8 steps are matched and reduced to 1 bracket

Slope

0   (A)   (B)

Line 7 $29K (or $30K)

Bill Draft for Child and Dependent Care Expense Credit:

Option #A: Child and dependent care expense credit rate shall be reduced gradually from 100% for the Line 7 at or less than $22,000 to 0% at or more than $29,000 with one formula of (1–(Line 7 - 22,000)÷7,000).

Option #B: Child and dependent care expense credit rate shall be reduced gradually from 100% for the Line 7 at or less than $22,000 to 0% at or more than $30,000 with one formula of (1–(Line 7 - 22,000)÷8,000).

3. Tax Simplification

Tax simplification without complex 96 withholding formulas (4×4×6) and 20-page withholding tables with different filing periods is good for businesses, DOR and taxpayers. The two simplified tax rate and tax formulas can be used to match and simplify the existing tax systems. Businesses use standard deductions, exemptions and tax credits for withholding taxes. Taxpayers use actual adjustments, deductions, exemptions, tax credits, and other taxes for tax returns. Adjustments include income additions and subtractions. Tax credits include non-refundable and refundable tax credits. A general withholding or income tax calculation is:

(Incomes ± Adjustments - (Deductions + Exemptions)÷F) × Tax rate + Other taxes - Tax credits÷F

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