

BILL NO. _____ Federal Individual Income Tax Simplification

Summary: Federal tax system has existing 7 tax brackets, 28 taxable income ranges (**Problem #1: too many ranges with different numbers**), 224 (7×4×8) withholding formulas (**Problem #2: too many formulas and too complex**), 21-page Withholding Tables (**Problem #3: too many pages and too complex**), 12 page Tax Table, and other tax problems. Two simple linear formulas and one existing formula can be used to match/simplify our tax system fairly and efficiently to resolve these problems with 98% simplification and 15 benefits to save \$10 billion (Website *).

1. A bill for an act
2. relating to income taxation for calculating individual income tax rate and tax. A tax is hereby
3. imposed for every tax year on the taxable income of every resident. The tax shall be determined
4. by applying the tax rate and tax formulas provided in this section, which is based upon the
5. following tax rate and tax:
6. For tax year 2018-2025, and all tax years thereafter:
7. <https://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-%20466.pdf>
8. (1) If yearly taxable income is: _____ The tax is:
9. ~~(A) Married Individuals Filing Joint Returns and Surviving Spouses _____ (2) Semi-yearly~~
10. ~~Not over \$19,050 10% of taxable income (TI) _____~~
11. ~~Over \$19,050 but not over \$77,400 \$1,905 plus 12% of excess over \$19,050 _____ (3) Quarterly~~
12. ~~Over \$77,400 but not over \$165,000 \$8,907 plus 22% of excess over \$77,400 _____ (4) Monthly~~
13. ~~Over \$165,000 but not over \$315,000 ... \$28,179 plus 24% of excess over \$165,000 _____ (5) Semi-monthly~~
14. ~~Over \$315,000 but not over \$400,000 ... \$64,179 plus 32% of excess over \$315,000 _____ (6) Biweekly~~
15. ~~Over \$400,000 but not over \$600,000 ... \$91,379 plus 35% of excess over \$400,000 _____ (7) Weekly~~
16. ~~Over \$600,000 \$161,379 plus 37% of excess over \$600,000 _____ (8) Daily~~
17. ~~(B) Heads of Households~~
18. ~~Not over \$13,600 10% of taxable income (TI)~~
19. ~~Over \$13,600 but not over \$51,800 \$1,360 plus 12% of excess over \$13,600~~
20. ~~Over \$51,800 but not over \$82,500 \$5,944 plus 22% of excess over \$51,800~~
21. ~~Over \$82,500 but not over \$157,500 \$12,698 plus 24% of excess over \$82,500~~
22. ~~Over \$157,500 but not over \$200,000 \$30,698 plus 32% of excess over \$157,500~~
23. ~~Over \$200,000 but not over \$500,000 \$44,298 plus 35% of excess over \$200,000~~
24. ~~Over \$500,000 \$149,298 plus 37% of excess over \$500,000~~
25. ~~(C) Unmarried Individuals Other Than Surviving Spouses and Heads of Household (Single)~~
26. ~~Not over \$9,525 10% of taxable income (TI)~~
27. ~~Over \$9,525 but not over \$38,700 \$952.50 plus 12% of excess over \$9,525~~
28. ~~Over \$38,700 but not over \$82,500 \$4,453.50 plus 22% of excess over \$38,700~~
29. ~~Over \$82,500 but not over \$157,500 \$14,089.50 plus 24% of excess over \$82,500~~
30. ~~Over \$157,500 but not over \$200,000 \$32,089.50 plus 32% of excess over \$157,500~~
31. ~~Over \$200,000 but not over \$500,000 \$45,689.50 plus 35% of excess over \$200,000~~
32. ~~Over \$500,000 \$150,689.50 plus 37% of excess over \$500,000~~
33. ~~(D) Married Individuals Filing Separate Returns _____ (2) Semi-yearly~~
34. ~~Not over \$9,525 10% of taxable income (TI) _____~~
35. ~~Over \$9,525 but not over \$38,700 \$952.50 plus 12% of excess over \$9,525 _____ (3) Quarterly~~
36. ~~Over \$38,700 but not over \$82,500 \$4,453.50 plus 22% of excess over \$38,700 _____ (4) Monthly~~

37. ~~Over \$82,500 but not over \$157,500 ..\$14,089.50 plus 24% of excess over \$82,500 (5) Semi-monthly~~
 38. ~~Over \$157,500 but not over \$200,000..\$32,089.50 plus 32% of excess over \$157,500 (6) Biweekly~~
 39. ~~Over \$200,000 but not over \$300,000..\$45,689.50 plus 35% of excess over \$200,000 (7) Weekly~~
 40. ~~Over \$300,000 \$80,689.50 plus 37% of excess over \$300,000 (8) Daily~~

41.

42. If the yearly taxable income is:	The tax rate and tax are:	Tax rate range
43. Not over \$100,000×S	$(YTI \div A \div S + 0.1) \times TI$	10%-18.1%
44. (\$100,000 - \$300,000)×S	$(YTI \div C \div S + 0.1385) \times TI$	18.1%-26.6%
45. Over \$300,000×S	$(0.37 - (D \times S \div YTI)) \times TI$	26.6%-37%*

46.

47. YTI is the yearly taxable income and S is status number (1 for Married Filing Separately or Single,

48. 2 for Married Filing Jointly or Qualifying Widow(er) or 1.5 for Head of Household).

49. Top tax rate is 37%. Bottom tax rate is 10%. A is 1,234,568 from 100,000 to divide the 1-st tax rate

50. range difference (0.181-0.1). C is 2,352,941 from 200,000 to divide the 2-nd tax rate range difference

51. (0.266-0.181). D is 31,200 from 300,000 to multiply the 3-rd tax rate range difference (0.37-0.266) for

52. 2020. A, C, D and 0.1385 are constants. Tax rate ranges can be reformed or adjusted. 2020 Tax rate

53. ranges are 10%-18.1%-26.6-37% at taxable incomes of 0-\$100,000×S-\$300,000×S-, which may be

54. changed. YTI is TI×F. TI is taxable income. F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,

55. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

www.irs.gov/pub/irs-pdf/p15t.pdf

(* For over \$300,000×S, the same tax formula is converted into tax rate and tax formula.)

Examples:

Tax rate and tax are:

1. ATI=\$77,789 (S=1): $(YTI \div S \div A + 0.1) \times TI = (77,789 \div 1,234,568 \div 1 + 0.1) \times 77,789 = 0.163 \times 77,789 = 12,680.31$

2. ATI is \$320,123 (S=1): $(0.37 - 31,200 \times 1 \div 320,123) \times 320,123 = 0.27253746 \times 320,123 = 87,245.51$

3. Biweekly TI is \$2,992 (S=1): $(2,992 \times 26 \div 1,234,568 \div 1 + 0.1) \times 2,992 = 0.16301 \times 2,992 = 487.73$

4. Monthly TI is \$20,321 (S=2): $(20,321 \times 12 \div 2,352,941 \div 2 + 0.1385) \times 20,321 = 0.19031855 \times 20,321 = 3,867.46$

Tax Reform Option: When our top tax rate is raised to 39.6% and tax rates for taxable income not over \$400,000** are kept the same, here is tax calculation simplification with 3 brackets to match:

If the yearly taxable income is:	The tax rate and tax are:	Tax rate range
Not over \$100,000×S	$(YTI \div S \div A + 0.1) \times TI$	10%-18.1%
(\$100,000 - \$400,000)×S	$(YTI \div S \div C + 0.14333) \times TI$	18.1%-29.4%
Over \$400,000×S	$(0.396 - (D \times S \div YTI)) \times TI$	29.4%-39.6%

** At \$400,000, tax rate= $(80,689.50 + 0.37(400,000 - 300,000)) / 400,000 = 0.294224$. Top tax rate is 39.6%, bottom tax rate is 10% or 9.5%. A is A is 1,234,568 from 100,000 to divide the 1-st tax rate range difference (0.181-0.1) or 1,162,791 from 100,000 to divide the 1-st tax rate range difference (0.181-0.095) for neutral tax revenue. C is 2,654,867 from 200,000 to divide the 2-nd tax rate range difference (0.294-0.181). D is 40,800 from 400,000 to multiply the 3-rd tax rate range difference (0.396-0.294). A, C, D and 0.14333 are constants. There are 3 tax rate ranges of 10%-18.1%-29.4-39.6% at taxable incomes of 0-\$100,000-\$400,000-.

For more information or questions, visit our web or contact johnlee@taxsimplecenter.net or 913-710-0957

Notes:

(1) The 7 tax brackets can be matched and reduced to 3 brackets at taxable incomes of 0-\$100,000-\$300,000-. Then their A, C and D are as follows:

Year	Tax rate ranges	A	C	D
2020	0.1-0.181-0.266-0.37	1,234,568	2,352,941	31,200
2020	0.095-0.181-0.266-0.37	1,162,791	2,352,941	31,200
2019	0.1-0.1817-0.2673-0.37	1,223,990	2,336,449	30,810
2018	0.1-0.183-0.269-0.37	1,204,819	2,325,581	30,300

(2) With this simplification, the 7 tax brackets, 224 (7×4×8) formulas, 28 taxable income ranges and 21-page Withholding Tables can be eliminated and replaced by 3 simple brackets/formulas with smooth tax rate changes fairly (*) and 99% reduction (1-(3÷7)(3÷224)).The tax rate ranges of 10%-18.1%-26.6%-37% may gain tax revenue slightly. 10% is reduced to 9.5% to help low-end incomers to reduce tax rates and taxes slightly without tax revenue reduction to Internal Revenue Service. 9.5% may be adjusted according to its evaluation from the IRS. Other incomers have no or almost no tax rate and tax differences.

(*) Fair tax rate changes: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf
Table 7: https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wbenvalue_for_federalf5.pdf

(3) www.irs.gov/pub/irs-pdf/p15t.pdf Withholding Tables (21 pages) and related formulas are replaced by the above three tax rate formulas for 0-\$100,000-\$300,000- and the following formula to calculate withholding taxes with Standard Deductions, Exemptions and Tax Credits an income taxes for tax returns with actual deductions, exemptions and tax credits.

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

(4) Existing Tax Table (12 pages) or its formula is for people to have one option. The 12-pages Tax Table may be reduce to 6 pages.

(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 or 4 tax rates at bottom, middle (1 or 2) and top are adjusted to meet a tax goal. The factors are explained by our research paper (Page 508).

Bill Summary

Bill xxx - This bill matches and simplifies existing 7 tax brackets, 21-page Withholding Tables, 224 (7×4×8) withholding formulas, and 12-page Tax Table with 3 brackets and formulas. Tax status is numbered with 1, 2 or 1.5. Payrolls, withholding reports, tax returns, analyses, reforms and projections are simplified with the 3 brackets instead of existing 7 brackets. A checking tool is provided to reduce calculation mistakes. For tax reforms, only 4 tax rates of bottom and top tax rates and 2 tax rates at \$100,000 and \$300,000 are adjusted to meet related tax projection by lawmakers.

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Federal Tax Simplification, Benefit and Value (\$10 Billion)

Two Tax Options: (Existing Tax Calculation System and Simplification)

Option A: Federal tax system has 7 tax brackets, 224 (7×4×8) formulas and 22-page Withholding Tables for withholding taxes and 28 formulas and 12-page Tax Table for tax returns. These formulas, tables, and rates are often changed by tax reform and/or inflation. **For more than 150 years, we have struggled about tax systems with different tax brackets (0-56) and formulas (224)** (Next page).

Option B: 3 fair* formulas (**The most efficient and reasonable tax calculation system**)

Options A and B are matched each other. Option B has **99% reduction and 15 benefits*** for businesses, DOR and taxpayers to **save \$10+ billion** (Table 6*). For future tax reform, **lawmakers would adjust only 4 tax rates** (at bottom, \$100,000, \$300,000, and top) **to replace the existing 3 factors** with many options* (*Research Paper). **Do you like Option A or B?**

* Research paper: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf (2021)
<https://taxsimplecenter.net/uploads/8/3/3/9/83395216/jbe20220923-1edition1.pdf>

Benefits and Values of the LG Tax Simplification for Federal Government, Businesses and Taxpayers **Abstract**

Introduction and Literature Review **Benefits and Values of the LG Tax Simplification**

1. The Existing State Personal and Corporate Tax Calculation Systems and Simplification
2. Withholding Table and Tax, Income Tax, Tax Table, Tax Return, Evasion, Tax Fraud, and Simplification
3. Tax Rate Change Speed, Checking Tool, Tax Status and Simplification
4. Tax Analysis, Tax Revenue Difference (Fiscal Note) and Projection
5. Tax Reform, Factor and Simplification
6. Other Simplification Applications
7. Value and Cost of the LG Tax Simplification

15 Benefits and Saving Values (\$10 Billion) (Table 6) such as:

- (1) **To match/reduce** existing 7 tax brackets to 3 (**57% reduction**),
- (2) **To eliminate existing 21-page Withholding Tables and 224 formulas** (on different filing periods),
- (3) **To help federal lawmakers** to simplify tax reforms with 4 tax rates at bottom, 2 middles and top only,
- (4) **To help IRS** to simplify fiscal notes, tax analyses and projections, and

Tax Revenue Change and Potential Saving

1. Tax Formulas and Tax Revenue Changes

(A) For over \$300,000, the same formula is used with different **formats** and the exact same tax revenue.

2018 Formula: $80.689 + 0.37(YTI - 300,000) = 0.37 YTI - 457.5 = (0.37 - 30,311 \div YTI) \times YTI$

New Formula: $(0.37 - (300,000 \times (0.37 - 0.269) \times S \div YTI)) \times YTI = (0.37 - (30,300 \times S \div ATI)) \times YTI$

(B) For not over \$100,000, existing 12 formulas are matched with 1 formula (slight tax revenue gain).

2. Potential Savings (99% reduction and 15 benefits to save \$10+ billion)

The simplification with 3 fair* brackets/formulas has **99%** $(1 - (3 \div 224)(3 \div 7))$ **reduction and 15 benefits** (Table 6*) to save \$10+ billion/years for businesses, IRS, and taxpayers.



Federal Personal Income Tax Calculation Systems (1862-2021) and Simplification

1. For 1862: **2 tax brackets with taxable income ranges of 0-\$600-\$10,000- at 3% and 5%**
2. For 1864: 3 tax brackets with taxable income ranges of 0-\$600-\$5,000-\$10,000- at 5%, 7.5% and 10%
3. For 1867: 1 tax brackets with taxable income ranges of 0-\$1,000- at 5%
4. For 1870: 1 tax brackets with taxable income ranges of 0-\$2,000- at 2.5%
5. For 1894: 1 tax brackets with taxable income ranges of 0-\$4,000- at 2%
6. For 1895-1912: No income tax
7. For 1913: 7 tax brackets at 1%, 2%, 3%, 4%, 5%, 6%, and 7%
8. For 1920: 56 tax brackets with top bracket of \$1,000,000 at from 4% to 73%
9. For 1950: 24 tax brackets and 2 statuses with top bracket of \$400,000 or \$200,000 at from 20%
10. For 1980: 15 tax brackets and 4 tax statuses at from 14% to 70%
11. For 1990: 2 tax brackets and 4 tax statuses with different taxable income ranges at 15% and 28%
12. For 2000: 5 tax brackets and 4 tax statuses at 15%, 28%, 31%, 36% & 39.6%
13. For 2010: 6 tax brackets and 4 tax statuses at 10%, 15%, 25%, 28%, 33% & 35% (Withholding Tables:
14. For 2018: 7 tax brackets and 4 tax statuses at 10%, 12%, 22%, 24%, 32%, 35% and 37%
15. For 2020: 7 tax brackets and 4 tax statuses with 28 taxable income ranges (top bracket of \$622,050 for MFJ) at 10%, 12%, 22%, 24%, 32%, 35% and 37% (Withholding Tables: 21 pages)
16. For 2021: 7 tax brackets and 4 tax statuses with different taxable income ranges (top bracket of \$628,301 for MFJ) at 10%, 12%, 22%, 24%, 32%, 35% and 37% (Withholding Tables: 21 pages)
17. <https://taxfoundation.org/historical-income-tax-rates-brackets/>
- 18.
19. For 2024 and all tax years thereafter: **(3 brackets and formulas)**
20. For the annual taxable income ÷ S is: The tax rate and tax are: 2020 Tax rate range:
21. Not over \$100,000 $(YTI \div A \div S + 0.095^*) \times TI$ 10%-18.1%
22. Over \$100,000 but not over \$300,000 $(YTI \div C \div S + 0.1385) \times TI$ 18.1%-26.6%
23. Over \$300,000 $(0.37 - (D \times S \div YTI)) \times TI$ 26.6%-37%
- 24.
25. YTI=yearly taxable income. S=status number (1 for Married Filing Separately or Single, 2 for Married
26. Filing Jointly or Qualifying Widow(er) or 1.5 for Head of Household).
27. Top tax rate is 37%, bottom tax rate is 10% or 9.5%* for neutral tax revenue. Tax rate ranges are
28. 10%-18.1%-26.6%-37% for YTI÷S at 0-\$100,000-\$300,000-.
29. A is 1,162,791 from 100,000 to divide the 1-st tax rate range difference (0.181-0.095*) or 1,234,568
30. from 100,000÷(0.181-0.01), C is 2,352,941 from 200,000 to divide the 2-nd tax rate range difference
31. (0.266-0.181) and D is 31,200 from 300,000 to multiply the 3-rd tax rate range difference (0.37-0.266)
32. for 2020. A, C, D and 0.1385 are constants.
33. $YTI = TI \times F$. TI is taxable income and F is filing period (1, 2, 4, 12, 24, 26, 52 or 365 on yearly,
34. semi-yearly, quarterly, monthly, semi-monthly, bi-weekly, weekly or daily basis).

Examples:

Tax rate and tax are:

1. $YTI = \$77,789$ (S=1): $(YTI \div S \div A + 0.1) \times TI = (77,789 \div 1,234,568 \div 1 + 0.1) \times 77,789 = 0.163 \times 77,789 = 12,680.31$
2. YTI is \$320,123 (S=1): $(0.37 - 31,200 \times 1 \div 320,123) \times 320,123 = 0.27253746 \times 320,123 = 87,245.51$
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