

Proposal for Kansas Individual Income Tax Simplification and Cost Reduction

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A. Background

1. KS withholding table: 22 pages KS tax table: 8 pages
2016 KS Tax Table (0 tax: <\$136/338): **Reduced KS tax revenue by ~\$59 million**
2. **KS (MO, IA, CA and others): Two tax systems** (for companies and taxpayers separately)
Result: All individuals need to file tax returns, even those with low incomes and/or standard deductions
3. KS struggles: 1-5 tax brackets (MO: 10, IA: 9, HI: 12, and CA: 10 tax brackets)
4. **Tax season: Many tax returns need to be processed**, leaving little time to inspect tax returns and mobile workers/companies for collecting more taxes **IRS report: with 1:3 return**

B. KS Tax Simplification Proposal (to save \$160 million/year or more)

1. The linear and gradual (LG) tax system (1 only): (a) simple/fair tax rate formulas, **12 benefits**, and 2 state tax brackets/ranges for simplifying KS tax calculation, analysis, reform, and projection
(b) Our research papers in professional journals at www.taxsimplecenter.net/publicationprogram

- Benefits:** (1) The LG tax system: Reducing the current 30 pages to <1/4 page (**99% reduction**)
Saving **\$83.2 million/y** (if 26*1.6+*2/employee) or \$41.6 million/y (if \$1/each)
- (2) Tax bracket: **KS no more struggle.** Two LG tax brackets: for the future
 - (3) **Simple tax return** for KS: >\$16 million Automatic programs: Different applications
 - (4) Compared to 2016 Tax Table: **~\$59 million/year revenue can be raised**
 - (5) People with standard deduction and non-complex tax situations: Not need to file tax returns with or w/o modification with withholding reports 50% (800,000): Saving **\$40 million/y** (if \$50/each)
 - (6) Comparisons: **Reducing tax mistakes and crimes** Tax refunds (<\$100): May delay to next year
 - (7) KS Dept of Revenue: Process <50% tax returns and have more time to inspect tax returns with high tax differences/incomes and mobile workers/companies for collecting more taxes
 - (8) The LG tax system: For tax calculation, payroll, analysis, reform, and projection **simplifications**

2. SB No. 30 (1/3 page) can be matched by the LG tax system: Smooth tax rates of 3.1-4.785% for yearly taxable income over tax status (S) at 0-\$50,000 or 4.785-5.7% for over \$50,000 (next page)

Flat tax rates are too simple and not reasonable for different taxable incomes (TI). Linear tax rates are the most reasonable and smooth. **Two tax rate brackets work well** for <15% range (**applies to all states**). Complex KS tax withholding table (22 pages) and tax table (8 pages) are not needed.

Employers use different filing period factor (F) (26, 24, 12, etc.) to calculate withholding taxes. For individuals, F is 1 for tax returns. Tax status (S) is 2 for Married Filing Jointly or 1 for other statuses.

The 1-st goal: Table1 Tax rate system (LG) for KS government, companies, and employees

Taxable income (TI) * F / S	Yearly TI / S	Your TI	LG tax rate formula	Tax rate Check	Tax Rate	Tax TI*rate
	0 - 50,000		$0.031 + TI * F / (S * 2,967,359)$	0.031-0.04785		
	50,000		$0.057 - 457.5 * S / (TI * F)$	0.04785-0.057		

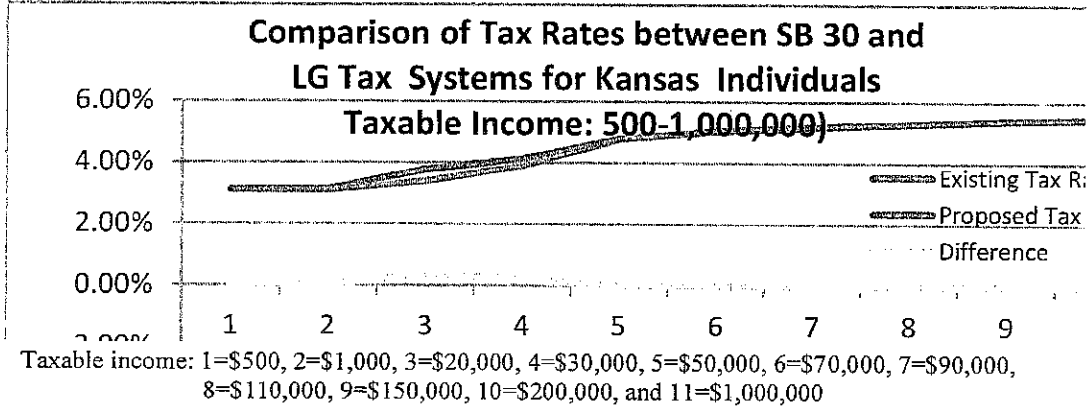
3. ~80% (1,280,000) of Kansan tax returns use simple KS standard deductions. With the LG tax system,

employers may file real withholding taxes and reports for many employees with standard deductions and non-complex tax situations when real information is provided. Then **many people can have the option to not file tax returns** with or without modification.

4. **Total Tax** (for S=1)= $0.031\text{SumTIIa} + \text{Sum}(\text{TIIa})^2/2,967,359 + 0.057\text{SumTIIb} - 457.5$ b. Payroll, tax calculation, tax analysis, reform, and projection can be simplified. More tax data can be treated. All budget balance, reform, tax system and code simplifications are important.

C. Explanation

1. Graph 1 Comparison of 2018 SB 30 Tax Schedules and LG Tax Rate System (Table 1)



2. KS earned income tax credit (EITC) is 17% of federal EITC. It is complex and difficult to be inspected. EITC can be simplified. Also it may be combined with Food Sales Credit together practically.

3. Instruction of K-40 simplification: See additional sheet (half page)

FORM K-40

20xx KANSAS INDIVIDUAL INCOME TAX RETURN

Please check one: Married filing separately Married filing jointly Single Head of household or qualifying widow(er)

Tax status # (S): 1 2 1 1 Record's Barcode
 Standard deduction (\$): 3,750 3,750*2 3,000 5,500 (option)
 Exemption (\$): 2,250/person. For blind or/and 65 or older: additional 850/person

A	B	C	D	E	F	G	
Year	Your Name	Your SS #	Spouse Name	Spouse SS #	Blind+65 # *	Child#*	1
2019							2
Status (S)	Federal adjusted gross income*	Modifications (Schedule S)*	Kansas adjusted gross income	Standard/Itemized *-KS deduction	-Total Kansas Exemption	Taxable income	3
1 or 2							4
KS TI / S	Yearly taxable income (TI) / S	Your KS TI	LG tax rate formula	Tax rate check range	Tax rate	Income tax	5
	0-50,000		$0.031 + \text{TI}/S * 2,967,359$	0.031-0.04785			6
	50,000		$0.057 - 457.5 * S / \text{TI}$	0.04785-0.057			7
-KS EIC*	-Tax credit paid to other states*	-Food sales tax credit*	Other tax credits*	Total tax balance (cannot be <zero)	-Withholding report/1099*	-R*/+O Tax	8
							9

* For item(s) with *, please provide detail information. For taxable income (TI) <\$100,000 and standard deduction, you may use tax withholding report (from employer) with or without modification to replace your tax return simply.

Your Signature _____ Spouse Signature _____ Date _____