The U.S. Federal and State Tax Simplification and Reform for Senior Citizens

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Abstract
The U.S. Federal and many State Governments provide social security tax deductions, either partial or all, for senior citizens. However, tax systems still require those whose incomes exceed standard deductions to report and calculate their income taxes. Usually, senior citizen's income sources are from social security benefits, 401K retirement funds, IRA, annuities, pensions, and/or others. This paper provides a linear tax rate and tax formula to simplify federal and state social security and retirement taxes compared with the existing complicated tax calculation systems. This research also provides a reform proposal to combine all taxable incomes for qualified seniors who have certain retirement taxable incomes, such as less than \$25,000 for Single Filers or \$50,000 for Married Filing Jointly, and have no federal or state tax responsibilities. The numbers can be adjusted according to the tax revenue change after the tax reform. Senior citizens with more than standard deductions can simplify their tax returns. The benefits would include tax processing time and cost reductions for those qualified seniors and governments. It will comply with the goal of the IRS to make tax laws easier for senior citizens. In other words, the proposed method could achieve tax efficiency and optimal senior personal income taxation for federal and state governments, which may also be a good application for other countries.

Keywords: Senior Tax Return, Tax Simplification, Federal Tax Return, State Tax Return

1. Introduction and Literature Review

Based on the Bipartisan Budget Act of 2018 (Public Law No: 115-123, H.R.1892), the IRS has created a new Form 1040-SR for taxpayers who are 65 or older. This new form is a variation of the standard Form 1040 for the U.S. tax return for seniors. It was revised and simplified from the original Form 1040 for the eligible taxpayers and they have an option of filing either form. The new form is almost identical to Form 1040 except that it has a larger print and also provides users with more prominence to some specific tax benefits (IRS, 2020).

The new form has a higher standard deduction to seniors who do not itemize the tax report. It incorporates a chart detailing the amount of the additional standard deduction for taxpayers who are eligible in this category. The new Form 1040-SR allows income from certain other sources than the old Form 1040-EZ which only allowed the reporting of their incomes from wages, salaries, and tips.

The Form 1040-SR has an additional standard deduction for seniors to have another incentive to avoid itemizing deductions. It allows eligible taxpayers to report Social Security benefits and distributions from qualified retirement plans, annuities, or similar deferred payment arrangements. It allows to include unlimited interests and dividends and capital gains and losses.

Gale and Pechman (2001) from the Brookings Institution provided testimony and presented in Congress about the tax code simplification discussions and collaborative research. Tax simplification is supported by an understanding of the causes of complexity and the likely outcome of simplification efforts. They included numerous benefits for the simpler taxes. It would reduce taxpayers' costs of complying with the tax system in terms of time, money, and mental anguish. Also, it would likely raise the use of tax subsidies, for education unintentional tax evasion, and increase the likelihood that taxpayers would see the tax system as fair.

Many other studies have been devoted to personal taxation simplifications. Diamond and Saez (2011) suggested considering the optimal progressivity of earnings taxation and considered whether capital income should be taxed. Forebrain (2012) suggested several personal income taxation reform options and proposed the removal of tax expenditures for some forms of labor remuneration and the increase of more neutral systems of taxation for different forms of capital income. Davis, et al. (2013) indicated that the use of low-income tax credits like the Earned Income Tax Credit (EITC) is an important indicator of tax progressivity. In combination with a flat or only nominally graduated rate structure, they pointed out that these tax breaks can sometimes create an unfair result due to the highest-income taxpayers paying less of their income taxes than middle-income taxpayers.

Kao and Lee (2013) proposed a linear and gradual tax system to simplify the existing US personal income tax system. The current complex Tax Rate Schedules and Withholding Tables may be eliminated, simplified, and replaced by using a simpler way to calculate the tax rates and taxes. Kao and Lee (2014) developed the LG tax system to simplify current U.S. federal and state corporate income taxation from 6-10 tax brackets to 2 or 3. Kao and Lee (2014) suggested the tax system be used to simplify current state individual income systems practically.

The Tax Filing Simplification Act of 2019 (Warren, et al., 2019) makes several commonsense changes to simplify the tax filing process for millions of American taxpayers and lower their costs. One of the Acts would allow eligible taxpayers with simple tax situations to choose a new return-free option, which provides a pre-prepared tax return with income tax liability or refund amount already calculated. It amended the IRS Code of 1986 to establish a free online tax preparation and filing service and programs that allow taxpayers to access third-party-provided tax return information. This bill requires the IRS to establish and operate the programs free of charge online tax preparation and filing software provide technical assistance and disclose federal income tax return information to states that provide or seek to provide state-level tax filing and preparation software. Unfortunately, the Bill was not passed.

In the study of TPC (2020), another benefit of making taxes simpler could improve compliance by reducing inadvertent non-payment of taxes. In some occasions, people do not pay taxes because of the complexity of tax law. The problem could extend to tax evasion if they consider

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the unfairness of the tax rules. The taxpayers may consider the tax system unfair benefits could occur in the tax process. To reduce the discrepancies between economic activities and taxpayers' characteristics, the simplified code could reduce both taxpayers' compliance and governmental administrative costs (Kao and Lee, 2017).

This paper provides a linear rate formula for tax return simplification and further tax reform proposals for seniors. Then many seniors who have certain retirement incomes do not need to figure out their taxes or simplify their tax returns to save time and costs for all seniors and governments.

2. Federal and State Tax Return Simplification for Senior Citizens

2.1 The Exiting Federal Social Security Benefits and Tax Return Simplification for Seniors

The existing U.S. federal personal tax calculation system has 7 tax brackets, 21-page Withholding Tables, 224 (7×4×8) formulas, and 12-page Tax tables, which are complex. According to existing tax laws, federal social security taxable incomes are at the rates of 0% for total incomes (TI) less than $25,000 for Single fillers (or $32,000 for Married filing jointly), 50% for $25K-$34K single fillers (or $32K-$44K for Married filing jointly) or 85% for over $34,000 for Single fillers (or $44,000 for Married filing jointly). At $50,000 for Single fillers, the rate is 0.362 from (0.5×(34,000-25,000)+0.85×(50,000-34,000))÷50,000 There are various change speed or curve rate (too fast or slow) problems, which are at www.irs.gov/pub/irs-pdf/i1040gi.pdf (Page 31).

Two or one linear formula can be used to simplify federal or state income tax systems and tax returns, which are shown in Table 1 and explained at www.academicstar.us/UploadFile/Picture/2023-5/20235518550488.pdf (Page 1). For Single fillers, the social security benefits tax rate is 0% at total income (TI) less than $25,000, 0.5×(TI-25,000)÷TI at TI between $25,000-$34,000 or (0.5×(34,000-25,000)+0.85×(TI-34,000))÷50,000 at total income (TI) more than $34,000. At $50,000, the social security benefit (?) tax rate is 36.2% or the deduction rate is 63.8% (1-0.362). For more than $50,000, the social security benefit tax rate is 0.85-24,400÷TI from (0.5×(34,000-25,000)+0.85×(50,000-34,000) +0.85×(TI-50,000))÷TI. These various rates between $25,000 and $50,000 may be replaced with one slope formula simply and reasonably. S2 is 1.28 for Married Filing Jointly–or 1 for all Single fillers: S2=(1.28) is from 32,000÷25,000. 50,000×1.28 is 64,000.

If total income (TI):	The SS taxation rate and amount:	Taxation rate:	Deduction rate:
Not over $25,000×S2...........................	No taxation and enter 0	0	100%
($25,000 - $50,000)×S2…………..	(TI÷(69,061×S2)–0.362)×SSB	0 - 0.362	1 – 0.638
Over $50,000×S2..............................	(0.85–24,400×S2÷TI) ×SSB	0.362-0.85	0.638 – 0.15

Table 1. Federal Income Tax Return Form

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

Tax Status (S) #	1	2	1.5
Standard deduction ($)	12,200×1	12,200×2	12,200×1.5

Exemption ($): Blind: _____ Senior: _____

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Address: Form Barcode

A	B	C	D	E	F	G	
Year	Your Name	Your SS#	Spouse Name	Spouse SS#	Exemptions	SS Benefits	1
							2
Federal Incomes	Adjustments (+ and -)	Federal AGI	Standard/Itemized Deductions	SS Benefit Deduction	SSBD Rate	Taxable Income	3
							4
YTI	Yearly TI	Tax rate	LG tax rate formula	Rate check	Rate Check	Tax/Table	5
	(0 - 100,000) × S		YTI÷1,234,568÷S+0.01	0.1-0.181			6
	(100,000-300,000)×S		YTI÷2,352,941÷S+0.1385	0.181-0.266			7
	Over 300,000×S		0.37 - 31,200×S÷YTI	0.266-0.37			8
Non-refundable Tax Credits	Tax balance If <0, enter 0	Other taxes and Donation	Federal tax withheld (W-2/1099s)	Refundable tax credits	Tax (Refund-)	Tax (Owe)	9
							10
Child#1 SS#	Child#1 Name	Child#2 SS#	Child#2 Name	Child#3 SS#	Child#3 Name		11
							12
Tax Refund	Routing#	Account#	Bank name	Bank phone	Checking or	Saving	13
							14
Third-party	Preparer name	EIN/SS#	Address	Signature	Phone#	Date	15
							16
Notes: Item	B4 / (such as interest)						17

(1) AGI = A4±B4 (2) E4 = G2×F4 (3) Taxable income (G4: YTI) = C4-D4-F2-E4
(4) Tax (Owe+/Refund-) = B10+C10-D10-E10 (5) Additional documents may be needed.

Tax Return Barcode

Signature: Your____________ Spouse____________ Date___________

The existing tax return forms may be simplified, which is shown in Table 1. After filling in basic information including name, social security #, tax status (1, 2, or 1.5), year, and address, the social security (SS) deduction rate is 1 (100%), 1-0.15 or 0.15 (AGI at 0-$25,000-$50,000-$64,000-). The simple form can be used by all people including seniors. (https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wtaxproblem_solutionf8.pdf)

The existing federal tax system can be matched and simplified with two linear formulas and one existing formula at https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wf_summary23.pdf Page 4). If your calculated tax rate is out of its check range, the calculation is wrong and needs to be done again. Tax (G6, 7, or 8) is to multiply the tax rate and yearly taxable income (YTI). Another option is to use the existing Tax Table (12 pages) for Tax. They should be very close. Tax balance (B10) is to deduct Non-refundable tax credits from Tax. If B10 is negative, enter 0. For itemized deductions and tax credits, related additional forms and documents are needed.

With the tax simplification, the tax revenue formula can be simplified significantly (S=1, 2, or 1.5).

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Total tax=Sum(($YTIa \div A \div S + 0.1$) YTIa) + Sum(($YTIb \div C \div S + 0.1385$) YTIb) + Sum ($0.37$ YTIc-$D \times S$)

The general tax rate formula is $YTI \div A \div S + 0.1$, $YTI \div C \div S + 0.1385$ and $0.37 - D \times S + YTI$. A=1,234,568 is from $100{,}000 \div (0.181-0.1)$, C=2,352,941 is from $200{,}000 \div (0.266-0.181)$ and D=31,200 is from $300{,}000 \times (0.37-0.266)$. There are three taxable income ranges 0 - (\$100,000-\$300,000)×S. All tax data including the above seniors with less than certain AGI are considered. Neutral tax revenue can be reached with these number adjustments for seniors. Table 1 can be used by all people including seniors.

The general tax rate formula is $YTI \div A \div S + 0.1$, $YTI \div C \div S + 0.1385$ and $0.37 - D \times S + YTI$. A=1,234,568 is from $100{,}000 \div (0.181-0.1)$, C=2,352,941 is from $200{,}000 \div (0.266-0.181)$ and D=31,200 is from $300{,}000 \times (0.37-0.266)$. There are three taxable income ranges 0 - (\$100,000-\$300,000)×S. All tax data including the above seniors with less than certain AGI are considered. Neutral tax revenue can be reached with these number adjustments for seniors. Table 1 can be used by all people including seniors.

2.2 Federal Tax Calculation Elimination and Simplification for Senior Citizens

The existing tax systems require all retired people with incomes above federal standard deductions (\$12,950 for Single or \$25,900 for Married filing jointly in 2022) to figure out taxes for their tax returns. The existing federal tax system involves social security benefit taxation or deduction rates. Most seniors have simple incomes from social security benefits, 401K retirement funds, IRA, annuities, and other incomes. A simple reform proposal is presented to let many retired people with less than certain adjustable gross income AGI do not need to calculate their taxes for their tax returns to save time and costs for many retired people and the federal government.

Adjustable gross income (AGI):	Retirement taxable income (RTI) deduction:
Not over \$25,000* × S	100% × RTI
(\$25,000 - \$45,000) × S	(1 – (AGI÷S - 25,000)÷20,000) × RTI
Over \$45,000 × S	0

If adjustable gross income (AGI) is not over \$25,000×S, retirement taxable income (RTI) deduction is 100%, and total non-retirement taxable income not over \$1,000*×S is allowed to have income tax to 0. Then these seniors do not need to calculate taxes for their tax returns. S is the status number (2 for married individuals filing joint returns or 1 for all other individuals). If adjustable gross income (AGI) is over \$25,000×S but not over \$45,000×S, a rate from 100% to 0 (or 15%*) is deducted for all retirement taxable incomes. The linear formula may be equally converted into ((45,000-AGI÷S)÷20,000)×RTI. If adjustable gross income (AGI) is over \$45,000×S, retirement taxable income deduction is 0. *\$25,000, \$45,000, \$1,000, 0%, 15%, and other numbers for seniors can be adjusted to have neutral or less tax revenue change before and after the tax reform. Social security benefits (G2), social security benefit deduction (SSBD) rate (F4), and SSBD (E4) in Table 1 can be replaced with retirement taxable incomes (RTI), RTI rate, and RTI deduction.

All retirement taxable incomes may be combined simply with equal basis, which means all rates are equal to 1 (R1=R2=R3=R4=…=1). Another option is to have different R1, R2, R3, R4, … with different rates such as 1, 0.5, 0.75, and others.

Retirement Taxable Incomes=R1×RTI1 + R2×RTI2 + R3×RTI3 + R4×RTI4 + …

Example 1: A retired couple have their social security benefits \$ 34,567, 401 K retirement distribution of \$5,000, IRA 3,000, and bank interests of \$1,250. Their total retirement taxable income is \$42,567 (from 34,567+5,000+3,000), which is less than \$50,000 and non-retirement taxable income is \$1,250 (< \$2,000). So they have no tax responsibility according to the above proposal. Their income tax is 0.

Example 2: A retired man has his social security benefits \$ 12,095, 401 K retirement distribution \$ 5,000, IRA 3,000, bank interests of \$500, and non-retirement wage of \$16,000. His total retirement taxable income (RTI) is \$20,095 (from 12,095+5,000+3,000). His AGI is \$36,595 (from 20,095+16,000+500), which is between \$25,000 and \$45,000. His retirement taxable income deduction rate is 0.42025 (from 1-(AGI÷S-25,000) ÷ 20,000). His taxable income is \$13,900.08 (from YTI=C4-D4-F2-E4 (Table 1)=36,595-12,550-1,700-20,095×0.42025). His tax rate is 11.13% from (\$13,900.08÷1,234,568÷S+0.1). His income tax is \$1,546.51 from 11.1259% × \$13,900.08.

2.3 The Exiting State Social Security Benefits and Tax Return Simplification for Senior Citizens

Many states such as AR, CA, GA, HI, KS, MN, MO, NY, OK, VA, and WI have complex tax calculation systems with multi-tax brackets (up to 12), Withholding Tables, related formulas (up to 216), and Tax Tables. According to existing tax laws, many states have social security benefit deductions with different tax regulations. The existing CA tax system has 9 tax brackets, 29-page Withholding Tables, 216 (9×3×8) formulas, and a 5-page Tax Table. KS tax system has 2-8 tax brackets (during the past 80 years), 22-page Withholding Tables, 48 (3×2×8) formulas, and 8-page Tax Table. The existing MO tax system has 9 tax brackets, 10-page Withholding Tables, 54 (9×6) formulas, and a Tax Table.

The existing state tax systems can be matched and simplified with one slope formula and one existing formula to have a 90%-99% reduction comparing existing withholding formulas, withholding tables, and Tax Table, which are shown at www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf (Table 4).

Table 2. K-40 Income Tax Return Form

Check one:	O Married filing separately	O Single	O Head of household	O Married filing jointly
Check Tax Status (S)	1	1	1	2
Standard deductions (\$)	4,000	3,500	6,000	8,000

Standard exemptions (\$): 2,250/person;
Addition: Blind: 850__; Senior (65 or older): 850__;
Standard tax credits (\$):

Address: Form Barcode

A	B	C	D	E	F	G	
Year	Your Name	Your SS#	Spouse Name	Spouse SS#	Exemptions	SS Benefit	1
							2
Federal AGI	Modifications (from Schedule S)	Kansas AGI	Standard/Itemized deductions	Social Security Deduction (SSD)	SSD Rate	Taxable income	3
							4
YTI	Yearly TI	YTI (G4)	Tax rate formula	Rate check (Tool)	Tax rate	Tax/Table	5
	0 - 50,000×S		YTI÷C÷S+0.03	0.03 - 0.04785			6
	Over 50,000×S		0.057 - D×S÷YTI	0.04785 - 0.057			7
Non-refundable tax credits	Tax balance If <0, enter 0	Use tax and Other taxes	State tax withheld (W-2 /1099s)	Refundable tax credits	Tax (Refund-)	Tax (Owe)	8
							9
Child#1 SS#	Child#1 Name	Child#2 SS#	Child#2 Name	Child#3 SS#	Child#3Name		10
							11
Tax Refund:	Routing#	Account#	Bank name	Bank phone#	Checking or	Saving	12
							13
Third-party:	Preparer name	EIN/SS#	Address	Signature	Phone#	Date	14
							15
Notes: Item	B4 / (interest)						16

(1) KS AGI (C4)=A4±B4 (2) Taxable income (G4)=C4-D4-F2-E4 (3) E4=G2×F4 Tax Return
(4) Tax (Owe+/Refund-)=B9+C9-D9-E9 (5) Additional documents may be needed. Barcode

KS has a Social Security (SS) tax cliff problem, which may cause a $1,000 tax difference with such as a $2 AGI difference from AGI $74,999 to $75,001 from such as $20,000×5%. The Social Security (SS) tax cliff problem is resolved by our tax bill (HB 2727) amendment and HB 2597 (2022) with one slope (linear) formula according to www.kslegislature.org/li/b2021_22/committees/ctte_h_tax_1/ documents/testimony/20220314_02.pdf and www.kslegislature.org/li/b202122/measures/ documents/ ccr_2022_hb2597_s_4017 (Page 48). The simple formula is (1-(AGI-75,000)÷10,000) or (85,000-AGI)÷10,000 from 1 to 0 linearly with one bracket from AGI from $75,000 to $85,000. When tax revenue reduction is not a problem, Social Security benefits may be reformed as non-taxable incomes without tax responsibility. Then seniors do not need to pay tax for their Social Security benefits.

The existing KS tax return form can be simplified with Table 2, which can be used by all KS people including seniors. Its simplification with the social security benefit deduction rate is 1 (100%) at AGI less than $75,000, 1-0 at AGI $75,000-$85,000, or 0 at AGI more than $85,000. The 2,801,120 is from 50,000÷(0.04785-0.03) and 457.5 is from 50,000×(0.057-0.04785). There are two taxable income ranges not over and over $50,000×S. S is 1 for Single Filler or 2 for Couple Filler.

Existing tax revenue formulas can be simplified and combined simply, which is shown by Table2 (S=1 or 2).

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Total tax=Sum ((YTIa÷C÷S+0.03) YTIa) + Sum(0.057 YTIb-D×S)

C=2,801,120 is from 50,000÷(0.04785-0.03) and D=457.5 is from 50,000×(0.057-0.04785). All tax data including those seniors with less than certain retirement incomes are considered. Neutral tax revenue can be reached with these number adjustments for seniors. Table 2 can be used by all KS people including seniors.

MO has social security benefit (SSB) deduction rates, which are reduced gradually from 100% for the adjustable gross income (AGI): (1) for Married filing jointly, social security benefit (SSB) deduction rate is 1 (100%) for AGI not over \$100,000, (1-(AGI-100,000)÷SSB)×SSB for AGI \$100,000-\$100,000+SSB or 0 for AGI over \$100,000+SSB or (2) for All Other Statuses, social security benefit (SSB) deduction rate is 1 (100%) for AGI not over \$85,000, (1-(AGI-85,000)÷SSB)×SSB for AGI \$85,000-\$85,000+SSB or 0 for AGI over \$85,000+SSB, which are available at https://dor.mo.gov/forms/MO-A_2021.pdf for more information.

(1) For Married filing jointly: (1-(AGI-100,000)÷SSB)×SSB or
(2) For All Other Statuses: (1-(AGI-85,000)÷SSB)×SSB

Existing MO tax return forms can be simplified by Table 3, which can be used by all MO people including seniors. The 486,486.5 is from 9,000÷(0.0335-0.015) and 184.5 is from 9,000×(0.054-0.0335) in 2020. There are two taxable income ranges not over and over \$9,000. With Table 3, the existing tax revenue formula can be simplified. Table 3 can be used by all people including seniors.

Total tax=Sum ((YTIa÷486,486.5+0.015) YTIa) + Sum(0.054 YTIb-184.5) (for 2020)

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Table 3. MO-1040 Income Tax Return Form

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

Tax Status # (S) 1 2 1.5 Form Barcode

Standard deductions ($) 12,400×1 12,400×2 12,400×1.5

Age (62-64)# ____; Age (≥65)# ____; Blind#____; 100% Disabled#____; Child#____

Address:

A	B	C	D	E	F	G	
Your Name	SS#	Spouse Name	Spouse SS#	SS Benefits	SSBD Rate	SSB Deduction	1
							2
Federal AGI You/Spouse	Adjustments You/Spouse	Each MOAGI You/Spouse	MO AGI rate You/Spouse	Standard/Itemized deductions	Federal tax deduction	Taxable income You/Spouse	3
							4
				Together	Together		5
You/Spouse	Total MO AGI	Yearly TI	LG tax rate formula	Tax rate check	Tax rate	Tax / Table	6
You		0 - 9,000	YTI÷486,486.5+0.015	0.015-0.0335			7
Spouse	(together)	Over 9,000	0.054 - 184.5÷YTI	0.0335-0.054			8
Non-refundable tax credits	Tax balance If <0, enter 0	MO tax withheld	State refundable tax credits	Other taxes and Donations to MO	Tax (Refund-)	Tax (Owe)	9
							10
Child#1 SS#	Child#1 Name	Child#2 SS#	Child#2 Name	Child#3 SS#	Child#3Name		11
							12
Tax Refund:	Routing#	Account#	Bank name	Bank phone#	Checking or	Saving	13
							14
Third-party:	Preparer name	EIN/SS#	Address	Signature	Phone#	Date	15
							16
Notes: Item	B4 / interests						17

(1) C4/5=A4/5±B4/5 (2) D4/5=C4/5÷B7 (3) Taxable income (YTI)=(B7-E4-F4-G2) × D4/5

(4) G2=E2×F2 (5) Tax (Owe+/Refund-) = B10-C10-D10+E10 Tax Return Barcode

2.4 State Tax Calculation Elimination and Simplification for Senior Citizens

The existing state tax systems usually require all retired people with retirement incomes more than state standard deductions to calculate taxes for their tax returns, which involves more time and costs for seniors and governments. Most seniors have simple tax situations with relatively low retirement incomes. Their retirement incomes are from social security benefits, 401K retirement funds, IRA, annuities, interests (minor), and others.

For KS, a simple reform proposal is presented to let many retired people with less than certain adjustable gross income AGI do not need to calculate their taxes for their tax returns to save time and costs for many retired people and the federal government.

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Adjustable gross income (AGI):	Retirement taxable income (RTI) deduction:
Not over \$30,000* × S	100% × RTI
(\$30,000 - \$40,000) × S	(1 - (AGI÷S - 30,000)÷10,000) × RTI
Over \$40,000* × S	0

If adjustable gross income (AGI) is not over $30,000×S, retirement taxable income (RTI) deduction is 100% plus total non-retirement taxable income not over $1,500*×S is allowed to have income tax to 0. Then these seniors do not need to calculate taxes for their tax returns. S is the status number (2 for married individuals filing joint returns or 1 for all other individuals). If adjustable gross income (AGI) is over $30,000×S but not over $40,000×S, a rate from 100% to 0 is deducted for all retirement taxable incomes. The linear formula may be equally converted into ((40,000-AGI÷S) ÷ 10,000) × RTI. If adjustable gross income (AGI) is over $40,000×S, retirement taxable income deduction is 0. *$30,000, $40,000, $1,500, and other numbers for seniors are adjusted to have no or less tax revenue change before and after the tax reform. Social security benefits (G2), social security benefit deduction (SSBD) rate (F4), and SSBD (E4) in Table 2 can be replaced with retirement taxable incomes (RTI), RTI rate, and RTI deduction.

With the existing KS tax system, retired couples prefer to file tax returns separately to have double social security deductions, which increases time and costs for many retired couples and the KS state government. Their simplification is needed to consider the differences between Single and Couple fillers. There are other options, such as using federal RTI deductions as state RTI deductions.

Example 3: A retired man has his social security benefits of $18,765, 401 K retirement distribution $3,000, IRA 5,000, and total non-retirement taxable income of $1,000. His AGI is $27,765 from (18,765+3,000+5,000+1,000), which is less than $30,000, and his total non-retirement taxable income is $1,000 (less than $1,500). So he has no tax responsibility according to the above proposal. His income tax is 0.

Example 4: Retired couples have social security benefits of $39,432, 401 K retirement distribution $ 5,000, IRA 5,000, and bank interests of $2,000. Their all retirement taxable incomes (RI) are $49,432 from (39,432+5,000+5,000). Their total non-retirement taxable income is $20,000. Their AGI is $71,432 from (49,432+20,000+2,000). Their retirement taxable income deduction rate is 0.4284 from (1-(AGI÷S-30,000)÷10,000). Their taxable income is $37,755.33 from (YTI=C4-D4-F2-E4 (Table 2) =71,432-8,000-2,250×2-0.4284×49,432). Their income tax rate is 3.67% from (37,755.33÷2,801,120÷S+0.03). Their tax is $1,387.11 from 3.6739% × 37,755.33.

A similar proposal to reform the MO tax system is presented. Then many retired people with less than certain retirement incomes such as not over $50,000, these retired people have income tax 0 and do not need to calculate their taxes for their tax returns to save time and costs for MO government and seniors.

Adjustable gross income (AGI):	Retirement taxable income (RTI) deduction:
Not over \$50,000*	100% × RTI

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Over $50,000 but not over $70,000	(1 - (AGI-50,000) ÷ 20,000) × RTI
Over $70,000*	0

If adjustable gross income (AGI) is not over $50,000, retirement taxable income (RTI) deduction is 100%, and total non-retirement taxable income not over $1,500* is allowed to have income tax to 0. Then these seniors do not need to calculate taxes for their tax returns. If adjustable gross income is over $50,000 but not over $70,000, a rate from 100% to 0 is deducted for all retirement incomes. The linear formula may be equally converted into ((70,000 - AGI) ÷ 10,000) × RTI. If adjustable gross income is over $70,000, the retirement income deduction is to 0. *$50,000, $70,000, $1,500, or other numbers for seniors are adjusted to have no or less tax revenue change before and after the reform. Social security benefits (E2), Social security benefit deduction rate (F2), and SSBD (G2) in Table 3 can be replaced with retirement taxable incomes (RTI), RTI rate, and RTI deduction.

Example 5: A retired senior has his social security benefits of $33,456, 401 K retirement distribution of $5,000, IRA 5,000, and bank interests of $1,000. Their AGI is $44,456 from (33,456+5,000+5,000+1,000), which is less than $50,000, and their total non-retirement income is $1,000, which is less than $1,500. So he has no tax responsibility according to the above proposal. His income tax is 0.

Similar to federal senior retirement incomes, all state retirement taxable incomes may be combined simply with an equal basis, which means R1=R2=R3=R4= … =1. Another option is to have different R1, R2, R3, R4, … with different rates such as 1, 0.5, 0.75, and others.

Many other states may have similar or different tax situations and systems. More information is available at different websites such as www.aigrs.com/home/financial-education/education-center/tax-matters/not-tax-social-security and www.thebalance.com/states-that-exempt-social-security-3193304 with full, zero or partial deductions from social security benefits and retirement incomes.

Such as Minnesota has partial social security benefit subtractions according to different rates (50%, 20% or 0), incomes and tax statuses (Married Filing Jointly or Qualifying Widow(er), Single or Head of household or Married Filing Separate) at www.revenue.state.mn.us/sites/default/files/2021-12/m1m_21.pdf (Line 12) and www.revenue.state.mn.us/social-security-benefit-subtraction (Subtraction Amount). One simple linear formula can be used to simplify the existing social security benefit subtractions deductions or many seniors with retirement incomes less than certain amounts do not need to figure out their taxes for tax returns similarly.

Maryland has a credit of $1,000 for an individual filer or a couple with only one spouse aged 65 or older. For joint filers, the credit is $1,750, which begins in 2022. Maryland allows a pension exclusion of $34,300 in 2022, but the exclusion does consider untaxed social security benefits and can be phased out. www.marylandtaxes.gov/forms/Personal_Tax_Tips/tip51.pdf.

One linear formula can be used to simplify existing social security benefit deductions for many governments. All retirement incomes, non-retirement incomes, AGI, and neutral tax revenue may be considered to simplify tax returns for seniors. Our goal is to let many seniors with less than certain retirement incomes have no tax responsibility and do not need to figure out their taxes and many other seniors with more retirement incomes to simplify their tax returns. Then many seniors and governments can reduce tax processing time and costs. Other countries may have similar tax system situations, which can be simplified and shown at www.taxsimplecenter.net/worldtaxsimplication.html with 2 or 1 linear formula.

3. Conclusion

In summary, the U.S. Federal and State tax return simplification could help senior citizens calculate their tax returns more effectively and efficiently. The suggested tax return method can reduce tax processing time and costs for tax reporters and governments. This paper provides one linear formula to simplify federal and state Social Security tax deductions and the existing state tax calculation systems. The new method is to combine social security benefits, 401K retirement funds, IRA, annuities, and other retirement incomes to simplify the tax returns. Many senior citizens may have certain retirement incomes, such as less than $25,000 for Single filers or $50,000 for Married filing jointly, they will have no Federal or State tax responsibilities and do not need to file their tax returns. Senior citizens who have retirement incomes over standard deductions can also simplify their tax return processes. Tax revenue can be adjusted according to neutral or less tax revenue procedures. Overall, the proposed tax simplification method can provide several substantial benefits for reporters and governments. Tax simplification methods may also be adopted in other countries.

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