

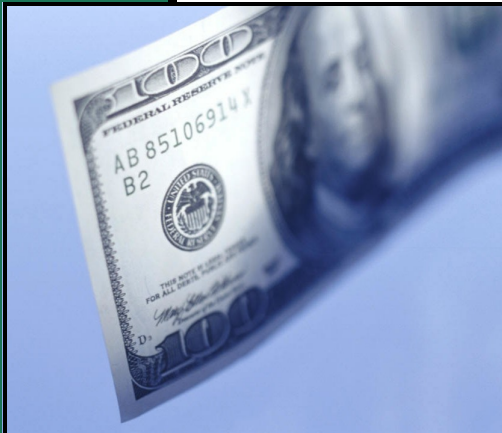


WINDES & MCCLAUGHRY ACCOUNTANCY CORPORATION

Certified Public Accountants & Consultants

EXCEEDING EXPECTATIONS SINCE 1926

TAX ALERTS: IOUs in California



The State of California is forced to issue IOUs without an immediate budget resolution. Without a budget fix, the State Controller began mailing Registered Warrants (IOUs) to pay income tax refunds to taxpayers and other payments to businesses that contract with the State. Due to labor laws, State employees will not receive IOUs and unemployment benefits will continue.

Per State Controller John Chiang, the State started the new fiscal year with a massively unbalanced spending plan and a cash shortfall not seen since The Great Depression. The State started out the 2009/2010 fiscal year with a \$2.8 billion cash shortage. With the IOUs, the State is in positive territory for the first two months and then we move into a shortfall that grows exponentially. The outlook for this fiscal year, per the State's projections, shows the biggest deficit at \$25.3 billion in April (2010). Unfortunately, the State's inability to balance its checkbook will now mean short-changing taxpayers, local governments, and small businesses.

For more information, see <http://www.sco.ca.gov/5935.html> or call the State Controller's registered warrant assistance phone line at (866) 267-4255.

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Windes & McClaughry's team approach allows you to benefit from a breadth of technical expertise and extensive resources. We service a broad range of clients, from high net-worth individuals to privately held businesses to publicly traded companies. We act as business advisors, working with you to set strategies, maximize efficiencies, minimize taxes, and take your business to the next level.

