



TAX ALERTS:

California 2009-10

Budget Agreement and other Tax Reminders (page 2)

On July 24th, the Legislature agreed on a budget revision that includes more accelerated withholding and estimates.

Estimated tax payments

Beginning with the 2010 taxable year, the budget changes individual and corporate estimated tax payments as follows:

	<u>2009</u>	<u>2010</u>
1st Quarter	30%	30%
2nd Quarter	30%	40%
3rd Quarter	20%	0%
4th Quarter	20%	30%

The budget also corrects the adverse impact of the acceleration of estimated tax payments made in 2009 and subsequent years to prevent underpayment penalties from being assessed to taxpayers subject to withholding. Withholding is deemed made in accordance with the estimated tax payment schedule for the applicable year.

Withholding

The budget increases withholding for certain payments on or after November 1, 2009:

- Withholding on wages increases by 10%;
- Withholding on supplemental wages increases from 6% to 6.6%; and
- Withholding on stock options and bonus payments increases from 9.3% to 10.23%.

Use tax compliance

Beginning with returns due on April 15, 2010, the budget requires qualified purchasers to register with the Board of Equalization (BOE) and report and pay, by April 15, any use tax owed for purchases made in the preceding year. A qualified purchaser is a business that meets all these tests:

- Is required to hold a local business license;
- Is not required to hold a seller's permit with the BOE;
- Is not required to register or otherwise be registered with the BOE;
- Is not a holder of a use tax direct payment permit; and
- Receive at least \$100,000 in gross receipts per year from business operations.

REMINDER:

Change in Extended Due Date for Federal Partnership and Fiduciary Income Tax Returns

For the 2008 tax returns, the IRS changed the extended due date for partnership and fiduciary income tax returns from October 15 to September 15, 2009. In addition, the federal penalty for failure to file the partnership income tax return on time increased from \$50 to \$90 per partner per month, up to twelve months, for the 2008 tax return.

REMINDER:

Final Deadlines on Foreign Bank and Financial Account Reporting (FBAR) and IRS Amnesty Program for Offshore Income

The IRS had extended the deadline for filing the federal FBAR to September 23, 2009 this year. This date is also the deadline for the current IRS voluntary disclosure, or "amnesty" program on foreign financial accounts and income.

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