State of California

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Legislative Change No. 09-6

Bill Number: ABX4 17 Author: Committee on Budget Chapter Number: **09X4-15**

Laws Affecting Franchise Tax Board: Sections 18663, 19025, 19136, and 19136.1 of the Revenue and Taxation Code

Date Filed with the Secretary of State: July 28, 2009

SUBJECT: Estimated Tax Payments/Wage Withholding

Assembly Bill X4 17(Committee on Budget), as enacted on July 28, 2009, made the following changes to laws impacting the Franchise Tax Board:

Section 18663 of the Revenue and Taxation Code is amended.

This act requires the Franchise Tax Board (FTB) to prepare wage withholding tables that result in a 10 percent increase in the amount of withholding on wages paid on or after November 1, 2009. This act also increases the fixed rate of tax withheld from supplemental wages from 6 percent to 6.6 percent, and increases the fixed rate withheld from stock options and bonus payments from 9.3 percent to 10.23 percent for amounts paid on or after November 1, 2009.

Section 19025 of the Revenue and Taxation Code is amended.

This act eliminates the 3rd quarter corporate estimated tax payment by revising the estimated tax payment percentages. The percentages are 30 percent, 40 percent, 0, and 30 percent for the 1st, 2nd ,3rd, and 4th quarter installments, respectively, for taxable years beginning on or after January 1, 2010. Corporations not required to make an estimated tax payment for the first quarter are required to make estimated tax payments of 60 percent, 0, and 40 percent for the 2nd, 3rd, and 4th quarter installments, respectively. Corporations not required to make estimated tax payments for the first and second quarters are required to make estimated tax payments of 70 percent, and 30 percent, for 3rd, and 4th quarter installments, respectively.

Section 19136 of the Revenue and Taxation Code is amended.

This act provides explicit authority for FTB to apply wage withholding in percentages consistent with the percentages required for estimated tax payments for taxable years beginning on or after January 1, 2009.

Assistant Bureau Director	Date
Patrice Gau-Johnson	08/26/09

Section 19136.1 of the Revenue and Taxation Code is amended.

This act eliminates the 3rd quarter personal income tax estimated tax payment by revising the estimated tax payment percentages. The percentages are 30 percent, 40 percent, 0, and 30 percent for the 1st, 2nd ,3rd, and 4th quarter installments for taxable years beginning on or after January 1, 2010. This act also aligns the percentages used to determine estimated tax payment requirements under the annualized income installment method to percentages consistent with the required estimated tax payment percentages.

This act is effective on October 23, 2009, and specifically operative as follows:

1. 10 percent withholding increase - November 1, 2009.
2. Corporate and Personal Income Tax estimated tax payment percentages revision - Taxable years beginning on or after January 1, 2010.
3. Application of wage withholding towards estimated tax payments - Taxable years beginning on or after January 1, 2009.

This act will not require any reports by the department to the Legislature.