

CA withholding increased

Employers began withholding 10% more California tax on November 1st, if they began using new tables sent by the state. This change has been in the news and we want to correct some misconceptions:

- The withholding increase is not part of a tax increase. However, legislation earlier this year raised the personal income tax rates by 0.25% and cut dependent exemption credits by two thirds. So, many clients will see a 2009 tax increase; and
- The 10% increase is not scheduled to expire December 31, 2009. It will continue indefinitely.

However, it is true that the increase is "voluntary" and you may adjust withholding to have the proper amount withheld rather than the extra 10%.