

FRANZEN & FRANZEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

November 13, 2012 – Retroactive California Tax Increase

On November 7, 2012, California voters approved Proposition 30, the “Governor’s Ballot Initiative”. The ballot measure retroactively increases income tax rates effective January 1, 2012. The following rate increases are effective for seven years:

Governor's Ballot Initiative	
10.3% (1% increase) on income of:	\$250,001–\$300,000 for single/MFS; \$340,001–\$408,000 for HOH; and \$500,001–\$600,000 for MFJ.
11.3% (2% increase) on income of:	\$300,001–\$500,000 for single/MFS; \$408,001–\$680,000 for HOH; and \$600,001–\$1,000,000 for MFJ.
12.3% (3% increase) on income of:	More than \$500,000 for single/MFS; More than \$680,000 for HOH; and More than \$1,000,000 for MFJ.

(Note: Income in excess of \$1 million is also subject to the 1% mental health surcharge.)

The California Franchise Tax Board will waive penalties if taxpayers have an underpayment of taxes due to the increase under Proposition 30, due to the retroactive effective date of January 1, 2012.

Proposition 30 also increases the state sales tax rate by 0.25% for four years, beginning January 1, 2013, bringing the standard statewide rate to 7.50% (currently 7.25%). Santa Barbara County sales tax rate is 0.50%, so most Santa Barbara County residents will pay 8.0% sales tax beginning January 1, 2013. (Note: the City of Santa Maria has a city tax rate of 0.25%, so Santa Maria sales tax rate is 8.25%).

For more information on Proposition 30 and how these new rates may impact your income taxes, please feel free to contact our office.