

California budget conferees approve new taxes (06-19-09)

Democrats on the California budget conference committee on June 16, 2009, approved a package of revenue raisers and program cuts to stave off the increasing deficit. Some of the tax provisions include:

- Increasing the personal income tax withholdings by 10% beginning January 1, 2010;
- Changing estimated tax payments again to accelerate revenue. Beginning in 2010, taxpayers would be required to pay:
 - 1st quarter 30%
 - 2nd quarter 40%
 - 3rd quarter 0%
 - 4th quarter 30%
- Imposing 3% independent contractor withholding, beginning January 1, 2010;
- Requiring 7% backup withholding on interest, dividends, and other income in conformity with the federal backup withholding rules;
- Increasing tobacco tax by \$1.50 per pack beginning October 1, 2009;
- Imposing a new 9.9% oil severance tax beginning October 1, 2009;
- Repealing two corporation tax breaks passed in September 2008 before they take effect: NOL carrybacks and credit sharing among affiliated corporations;
- Extending sales tax requirement to certain out-of-state sellers, such as Amazon, that pay commissions to California firms;
- Allowing the state to suspend occupational and professional licenses for delinquent taxpayers;
- Suspending the Homeowners' and Renters' Assistance Program; and
- Enhancing collections by requiring banks and other financial institutions to match their account records with the FTB's delinquency account records.

The Legislature is likely to take up the budget package early next week, and all these provisions are subject to change. However, Governor Schwarzenegger said he would veto any revenue proposals beyond those he had already included in his budget plan, which include a homeowner fee for fire fighting and acceleration of withholding and estimated tax payments. The Governor is also opposed to withholding on independent contractors.