

myStateTaxOffice

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*California voters approve
retroactive increase in personal
income tax rates, impact on
withholding remains
unaddressed*

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On November 6, 2012, California voters approved [Proposition 30](#), The Schools and Local Public Safety Protection Act of 2012, which imposes a seven year tax increase on earnings of taxpayers with income over \$250,000 starting in 2012. As a result of Proposition 30 (which also includes a sales tax increase), California expects increased tax revenues through 2018/2019, averaging about \$6 billion annually. The additional revenues will be available for funding the State's budget, and the previous 2012/2013 planned spending reductions, primarily to education programs, will no longer occur.

Proposition 30 draws into question whether the Employment Development Department (EDD) and the Franchise Tax Board (FTB) will require employers to simply adjust withholding for the remainder of the 2012 tax year prospectively or perform catch-up withholding as a result of the increased tax rates.

Actions to think about

At this time, neither the EDD nor the FTB have provided specific guidance on how this change should be implemented. PwC will continue to follow developments from

the EDD and FTB regarding how withholding should be performed for tax year 2012 and will issue future updates as needed.

Let's talk

For questions about Proposition 30 or its impact on withholding, please contact:

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