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**United States – California
Voters Approve
Retroactive Tax Increase**
by KPMG LLP's Washington
National Tax practice,
Washington, D.C. (KPMG LLP
in the United States is a KPMG
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On November 6, 2012, voters in California approved Proposition 30¹, which retroactively raised income tax rates for 2012 by creating three new tax brackets for those with state taxable income over USD 250,000 (USD 500,000 for a married couple filing jointly). The additional new tax brackets will remain in place for seven years. The three new tax brackets are as follows:

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.

In addition, Proposition 30 increased the state sales tax rate by one-quarter of a percentage point to 7.5 percent, effective beginning in 2013 for four years. (The sales tax rate is higher in some localities.)

California nonresident income tax rates are set with reference to a taxpayer's full-year income, including non-California source income, so the tax increase will affect anyone with income taxable in California whose total income figured under California principles exceeds the threshold amount.

On November 9, the California Franchise Tax Board released the updated income tax tables for 2012 to reflect the new tax brackets, which are shown on the following page.²

Single or Married Filing Separate (MFS)

CA Taxable Income ...		Tax
Over	But not over	Rate
\$0	\$7,455	1.0%
\$7,455	\$17,676	2.0%
\$17,676	\$27,897	4.0%
\$27,897	\$38,726	6.0%
\$38,726	\$48,948	8.0%
\$48,948	\$250,000	9.3%
\$250,000	\$300,000	10.3%
\$300,000	\$500,000	11.3%
\$500,000	——	12.3%

Married Filing Joint (MFJ)

CA Taxable Income ...		Tax
Over	But not over	Rate
\$0	\$14,910	1.0%
\$14,910	\$35,352	2.0%
\$35,352	\$55,794	4.0%
\$55,794	\$77,452	6.0%
\$77,452	\$97,884	8.0%
\$97,884	\$500,000	9.3%
\$500,000	\$600,000	10.3%
\$600,000	\$1,000,000	11.3%
\$1,000,000	——	12.3%

Head of Household (HOH)

CA Taxable Income ...		Tax
Over	But not over	Rate
\$0	\$14,920	1.0%
\$14,920	\$35,351	2.0%
\$35,351	\$45,571	4.0%
\$45,571	\$56,400	6.0%
\$56,400	\$66,618	8.0%
\$66,618	\$340,000	9.3%
\$340,000	\$408,000	10.3%
\$408,000	\$680,000	11.3%
\$680,000	——	12.3%

Source: State of California Franchise Tax Board

Footnotes:

- 1 For information on Proposition 30, see: <http://voterguide.sos.ca.gov/propositions/30/> .
- 2 For updates to the tax tables in light of the passage of Proposition 30, see the California Franchise Tax Board Web page at:
https://www.ftb.ca.gov/aboutFTB/press/2012/Release_31.shtml .

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The information contained in this newsletter was submitted by KPMG LLP's Washington National Tax practice. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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