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Dear Client:

California 2011 estimated tax payments for individuals with over \$1 million adjusted gross income (AGI)

Generally, you must make estimated tax payments if you expect to owe at least \$500 (\$250 if married filing separate) in California tax for 2011 (after subtracting withholding and credits), and you expect your withholding and credit to be less than the **smaller** of:

1. 90% of your 2011 tax,
2. 100% of your 2010 tax

Example: If your 2010 total tax was \$10,000 and your 2011 total tax results \$13,000, your 2011 CA estimated tax payments (including withholding and credits) should be at least \$10,000; smaller of \$10,000 (2010 CA tax) or \$11,700 (90% of 2011 tax) to be penalty proof.

If you are required to make estimated tax payments, and your 2010 California AGI is more than \$150,000 (or \$75,000 if married filing separate), you must figure your 2011 estimated tax based on the **lesser** of:

1. 90% of your 2011 tax,
2. 110% of your 2010 tax

Example: If your 2010 total tax was \$15,000 and your 2011 total tax results \$20,000, your 2011 CA estimated tax payments should be at least \$16,500; smaller of \$16,500 (110% of 2010 CA tax) or \$18,000 (90% of 2011 tax) to be penalty proof.

If your 2011 California AGI is over \$1,000,000 (\$500,000 if married filing separate), you are required to pay 90% of your 2011 estimated tax to prevent an underpayment penalty in 2011. In other words, paying California 2011 estimated tax payments based on your 2010 tax may no longer be penalty proof.

Please note that this only applies to California 2011 estimated tax payments. The federal 2011 estimated tax payments are still based on the first two rules as mentioned above.

If you anticipate your 2011 California AGI will be over \$1,000,000 (or \$500,000 if married filing separate), please contact our office. We can assist you with your 2011 tax projection and provide you with California 4th quarter estimate to be penalty proof.

Thank you for your business.

Very truly yours,

Wright Ford Young & Co.

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To ensure compliance with the requirements imposed by the Treasury Department Regulations (Internal Revenue Service), Wright Ford Young & Co. is required to inform you that any tax advice in this written or electronic communication was not intended or written to be used, and it cannot be used, by a client or any other person or entity for the purpose of avoiding penalties that may be imposed on any taxpayer.