

Wright Ford Young & Co.

Certified Public Accountants and Consultants, Inc.

February 3, 2011

Dear Client:

California Mandatory e-pay for Individuals

Individuals are required to remit all California (not Federal) tax payments electronically once they:

- Make an estimated tax or extension payment (by check or electronic method) over \$20,000 for a taxable year beginning on or after January 1, 2009; OR
- File an original return with a tax liability over \$80,000 for a taxable year beginning on or after January 1, 2009.

Mandatory e-pay penalty

There is a 1% penalty of the amount paid unless the failure to pay electronically was for reasonable cause and not willful neglect.

The Franchise Tax Board started to assess mandatory e-pay penalty as of January 1, 2011. Prior to this date, the FTB did not assess the penalty to allow taxpayers and their representative's time to implement process and procedures to comply with the law.

Note: Mandatory e-pay rules apply only to individuals. Fiduciaries, estates, and trusts are not required to make payments electronically, regardless of the amount owed.

Once you meet the mandatory e-pay threshold, you are required to make all subsequent payments electronically, regardless of the amount, type, or taxable year.

Electronic payment methods

You can make your tax payment using one of the following methods:

- Pay online with Web Pay.
- Request an Electronic Funds Withdrawal (EFW) on your e-file return.
- Pay by credit card.
- Use the pay-by-phone option.

NOTE: Making a payment using your bank's online bill payment system is not an electronic payment. Your bank mails a paper check to FTB which does not meet the requirement to pay electronically.

If you have questions about e-pay or making your tax payment, please call the Franchise Tax Board at 800.852.5711 or contact us. We will be happy to answer any questions you may have.

Thank you for your business.

Very truly yours,

Wright Ford Young & Co.

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