

**CLIENT MEMO
TAX MATTER UPDATES****California sales tax rates to decrease July 1, 2011 -**

Effective July 1, 2011, the combined statewide sales and use tax base tax rate will decrease from 8.25% to 7.25%. In areas where there are voter-approved district taxes, the total tax rate related to sales and purchases will be the statewide base tax rate of 7.25% plus the applicable district tax. For a complete listing of sales and use tax rates by city and county, please visit - [Tax Rates effective July 1, 2011](#).

If you use a cash register in your business, you will need to reprogram it to reflect the lower sales tax rates effective July 1.

IRS increases mileage rate to 55.5 cents per mile -

The IRS recently announced an increase in the optional standard mileage rates for the final six months of 2011. The rate will increase to 55.5 cents per mile for all business miles driven from July 1, 2011, through Dec. 31, 2011. This is an increase of 4.5 cents from the 51 cent rate in effect for the first six months of 2011.

The new six-month rate for computing deductible medical or moving expenses will also increase by 4.5 cents to 23.5 cents per mile, up from 19 cents for the first six months of 2011. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents per mile.

Estate and gift tax planning considerations -

As part of the Bush-era tax cut being extended in December 2010, the maximum estate tax rate for 2011 and 2012 will be 35%, and the lifetime exemption from estate tax is increased to \$5 million per individual. The gift tax lifetime exemption amount has also been increased to \$5 million which means you can give up to \$5 million without incurring gift tax. For married couples, the exemption amount is increased to \$10 million. Note that the generation skipping tax exemption has also increased to \$5 million.

To take advantage of the increased exemptions, you may consider making additional gifts to children and grandchildren during 2011 and 2012.

If you have any questions regarding the above or how they may impact you and your business, please do not hesitate to contact us for a strategic business and tax planning appointment.

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