

February 1, 1996

Dear Client:

If you have ever employed a domestic worker, we need to discuss whether or not you need to file Federal and California payroll tax returns and pay payroll taxes. Federal and California taxing authorities assess both penalties and interest if the payroll tax returns are not timely filed and the applicable payroll taxes are not paid.

For 1995, the IRS now allows much simpler payroll tax return filing and payroll tax deposit procedures. If you hired a domestic worker during 1995 and you are required to file payroll tax returns, you will meet your Federal filing requirement by filing Schedule H with your Federal individual income tax return (Form 1040). You will remit any due Federal payroll taxes with your Federal individual income tax returns.

California has not adopted the simpler Federal payroll filing and deposit procedures. California still requires separate payroll tax returns and deposits. If you did not file these returns, they are now late and subject to late filing penalties and interest. **The penalties can be avoided if all due 1995 payroll tax returns are filed and all due payroll taxes are paid within sixty (60) days after you receive notification that the filing and deposit requirements exist.**

Also, for tax years before 1995, if you paid a domestic employee wages which exceeded certain specified dollar amounts, both Federal and California taxing authorities required payroll tax returns and tax deposits. If you had a domestic employee, did not file payroll tax returns, and/or did not make payroll tax deposits, late filing penalties and interest could now be accruing.

If you hired a domestic worker in 1995 or before and have not met your Federal and/or California filing requirements, we encourage you to contact us as soon as possible. We can give you information regarding the California penalty abatement program for 1995. We can also give you information regarding your prior years' Federal and California payroll tax return filing requirements. Finally, we can assist you with the preparation of any returns due on your behalf

**FISHMAN, BLOCK + COMPANY**