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April 16, 2013

Dear Payroll Clients:

This letter is to inform you of the notice you have received (CP101) or will be receiving from the Internal Revenue Service regarding your 2012 Form 940 for tax period December 31, 2012 (Fourth Quarter 2012).

If you recall, in 2011 and 2012 the State of Arizona assessed a Special Assessment Tax (SA Tax) to all businesses in effort to pay down federal loans borrowed. Unfortunately the state was unable to meet the necessary repayment requirements thus forcing the state into what the IRS refers to as a "**Credit Reduction State.**" This means that in addition to the 6.0 percent paid in for Federal Unemployment (FUTA), **all Arizona employers are now subject to an additional 0.3 percent FUTA tax (starting with tax period 2012).**

The Form 940 that was prepared by our office did not include the additional 0.3 percent and it is important to be aware that the tax due will be billed to you directly by the IRS (again, if you have not already received notice). Please forward the notice(s) to our office as well as pay the amount due.

Credit reduction state statuses are assessed every November and no 0.3 percent additional taxes will be calculated on the quarterly payroll reports until year end (if applicable). Please rest assured that we will take extra precautions in the future and if you have any questions or concerns to please give us a call at (520) 319-0077 or email at jahsalynn@rowlandtax.com.

A copy of this letter will be posted to our website at www.rowlandtax.com should you want to reference it in the future.

We appreciate your understanding on this matter.

Sincerely,

Jahsalynn Abdulla, BS
Accountant