TO: All University of the Pacific Employees
FROM: Tara Juano, Manager, Payroll Operations
DATE: November 3, 2009
SUBJECT: 10% STATE PAYROLL TAX WITHHOLDING INCREASE

The recent State of California approved budget resulted in changes to California employment tax withholding rates. Effective with all payrolls processed on or after November 1, 2009, the State will require employers to withhold additional income taxes that will result in a tax withholding increase of 10 percent for each pay period. For example:

An employee’s current pay period State tax withholding is $100. Under the new State law, tax withholding will be $110 ($100 + ($100 x 10%)) = $110.

Please note that although this change will increase future pay period tax withholdings (which impacts employees’ net pay/take-home pay), it will not change an employee’s annual tax liability. To illustrate further, assuming an employee’s annual taxable income is $75,000 with tax status of married and filing for a joint return:

<table>
<thead>
<tr>
<th></th>
<th>Employee’s Annual Taxable Income</th>
<th>State Tax Withholding – Married, Filed Jointly</th>
<th>State Tax Liability – Married, Filed Jointly</th>
<th>Annual Tax Refund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Law</td>
<td>$75,000</td>
<td>$2,615 (1)</td>
<td>$2,615</td>
<td>0</td>
</tr>
<tr>
<td>New Law</td>
<td>$75,000</td>
<td>$2,877 (2)</td>
<td>$2,615</td>
<td>$262 (3)</td>
</tr>
</tbody>
</table>

Footnotes:
(1) Per California Tax Tables
(2) Tax withholding increased by 10% from $2,615 to $2,877, it represents a lesser take-home pay
(3) Difference between State Tax Withholding and State Tax Liability

In both examples above, if an employee’s tax status (marital status and number of exemptions) remains unchanged, the additional withholding will either increase the employee’s refund or decrease the taxes owed at year end.

If you have any questions, please contact the University of the Pacific Payroll Department at (209) 946-2199 or via e-mail at emehl@pacific.edu.

Thank you in advance for your attention to these changes.

cc: Enclosure, November 10, 2009 payroll checks and direct deposit advices