

Questions and Answers for new Arizona A-4 form

Changes to Arizona Income Tax Withholding

Why is this change being made?

Senate Bill 1185 (Laws 2009, 1st Reg. Session, Chapter 2) amended the amounts required to be withheld for Arizona income tax withholding purposes. Through June 30, 2010, the amount required to be withheld is a percentage of federal withholding. For amounts withheld on or after July 1, 2010, the amount required to be withheld will be a percentage of gross taxable wages in a table prescribed by the Department of Revenue. This change will ensure that changes to Federal withholding do not impact State withholding.

Are all employees required to turn in a new Arizona A-4 form?

Every employee is required to fill out a new Arizona A-4 form effective for wages paid after June 30, 2010 unless they qualify to complete:

- A-4V “Voluntary Withholding Request for Arizona Resident Employed Outside Arizona”
- WEC “Withholding Exemption Certificate” for Arizona Nonresidents
- WECI “Withholding Exemption Certificate, Native Americans with Instructions”
- WECM “Withholding Exemption Certificate for Military Spouses”

What is “gross taxable wages”?

“Gross taxable wages” is the amount that meets the federal definition of "wages" contained in IRC § 3401 and that will be included in box 1 of the employee's federal Form W-2 at the end of the calendar year.

Has the gross taxable wage calculation changed?

No. The eligible pre-tax items that can be deducted from gross wages for calculating gross taxable wages have not changed.

What about volunteers who only get reimbursed non-taxable travel?

Even volunteers should complete an A-4 in the event they are paid taxable income (such as taxable travel reimbursements) in the future. However, because non-taxable travel reimbursements aren't included in gross taxable wages, no withholding is taken for these payments.

If an employee files exempt from Federal withholding, are they automatically exempt from State withholding?

No. In the past, since State income tax withholding was calculated as a percentage of Federal income tax withholding, filing exempt from federal taxes automatically prevented a deduction for State income tax withholding. Starting July 1st, State income tax withholding will be calculated independently of federal elections. To be exempt from State income tax withholding, an employee would need qualify and file as exempt on the State A-4 form.

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How does an employee file exempt from State withholding?

To qualify as exempt, employees must meet the following criteria as prescribed by the Department of Revenue:

- Employee had NO Arizona tax liability for the prior taxable year, AND
- Employee expects to have NO Arizona tax liability for the current taxable year

If both criteria apply and the employee wishes to file exempt, box 3 should be selected, and the A-4 form submitted to the Agency Payroll or Personnel Office

Can an employee file exempt with an additional amount per paycheck?

An employee qualifying and electing to be exempt does not have the option to designate an additional withholding amount.

How do employees know which percentage withholding to choose?

Agency Payroll and Personnel Offices cannot provide tax advice. To assist employees in electing a withholding percentage, examples are provided on the instructions of the new A-4 form as well as a calculation worksheet. Each employee must take into consideration their particular situation to determine their elections. If employees have questions, they should speak with a tax advisor.

The chart below may be helpful in determining your new withholding percentage. However, if you would rather more closely approximate your tax liability from last year, refer to the new Form A-4 instructions and calculation worksheet

<i>If your withholding rate before July 1, 2010, was:</i>	<i>Then use this rate for wages paid after June 30, 2010:</i>
0%	0% *
10.7%	1.3%**
20.3%	1.8%
24.5%	2.7%
26.7%	3.6%
33.1%	4.2%
39.5%	5.1%
*Only available if employee had no tax liability last year and does not expect to have any tax liability this year.	
**Option not available if annual compensation is \$15,000 or more.	

When/how can employees complete their new Form A-4?

The new Form A-4 will be available in UAccess Employee by mid-June, 2010, though an exact date has not yet been determined. When the form becomes available, all employees must log in to UAccess to complete a new form A-4.

On which payday will the new tax withholding rates appear?

July 16, 2010.

Where can more information be found? Additional forms, instructions and materials are available on the AZ Department of Revenue website at <http://www.azdor.gov>