

2004 Annual Payment Withholding Tax Return

Arizona Form A1-APR

Obtain additional information or assistance, and tax forms and instructions, by contacting one of the numbers listed below:

Phoenix	(602) 255-2060
From area codes 520 and 928, toll-free	(800) 843-7196
Form Orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256
Recorded Tax Information	
Phoenix	(602) 542-1991
From area codes 520 and 928, toll-free	(800) 845-8192

Visit our Web site at: www.azdor.gov

Note: the Department is no longer issuing Arizona withholding tax numbers. Beginning in 2005, this number will no longer be requested on Arizona tax forms.

General Instructions

Who May Use Form A1-APR

Employers that qualify to make their withholding payment on an annual basis should use form A1-APR, and should not file any Forms A1-QRT, A1-R, or A1-WP. To qualify to file on an annual basis, an employer must have all the following:

- An established history of withholding activity by having filed the quarterly tax return [Form A1-QRT] for at least the four preceding calendar quarters.
- More than zero in withholding for at least one of the four preceding calendar quarters.
- \$800 or less in total withholding for the four preceding calendar quarters.
- A history of timely filing the Form A1-QRT and timely making its Arizona withholding payments for at least three of the four preceding calendar quarters.
- All Forms A1-QRT filed for all preceding calendar quarters, with no remaining balance due (tax, penalty, or interest) for any preceding calendar quarters.
- The annual reconciliation tax return filed (Form A1-R) for all preceding calendar years.

An employer may continue to make its Arizona withholding payments on an annual basis for the succeeding calendar year if all of the following conditions are met:

- The average amount of Arizona income taxes withheld by the employer in the four preceding calendar quarters does not exceed \$200.
- The employer has timely filed the annual payment tax return (Form A1-APR) and has timely made its annual Arizona withholding payment for the preceding calendar year.

If an employer does not meet all of the qualifying conditions to continue making its Arizona withholding payments on an annual basis for the succeeding calendar year:

- The employer must determine its Arizona withholding payment schedule for succeeding calendar quarters according to the Arizona Withholding Liability/Payment Schedule section of the Form A1-QRT instructions; and
- The employer shall file the quarterly tax return [Form A1-QRT] for succeeding calendar quarters.

Filing Original Returns

Returns are due on or before February 28 of the year following the close of the calendar year. If the employer has an Arizona extension, file the return by the extended due date. Attach a copy of the Arizona extension to the front of the return. Send the return to the Arizona Department of Revenue, PO Box 29009, Phoenix AZ 85038-9009.

The Form A1-APR is also the transmittal form for federal Forms W-2, W-2c, W-2G, and 1099-R (if the Forms W-2G and 1099-R include Arizona withholding). These forms are required to be filed with the Form A1-APR as an integral part of the annual reconciliation of taxes withheld from employees and remitted to the Department of Revenue.

The department normally determines the timeliness of a return by the postmark or other official mark of the U.S. Postal Service stamped on the envelope in which the return is mailed. Refer to Arizona General Tax Ruling GTR 93-1 for further information. The department will also accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain the written proof of mailing.

Extension of Time to File a Return

An employer may apply for an extension of time to file Form A1-APR upon a showing of good cause. The employer must file the extension request (Form A1-APR EXT) as soon as the employer knows that an extension of time to file is necessary. The extension request must be mailed on or before the due date of the Form A1-APR. An extension cannot be granted if the extension request is filed after the due date of the Form A1-APR. An extension of time to file the Form A1-APR is also an extension of time to file the federal Forms W-2, W-2c, W-2G, and/or 1099-R that are required to be filed with that return.

Payment of Tax

The entire amount of tax is due on or before the original due date of the Form A1-APR, even if the employer has been granted an extension of time to file the Form A1-APR.

Filing Amended Returns

If this is an amended Form A1-APR, check the amended return check box on page 1 of the form. Complete the Arizona withholding tax liability section, the tax and payments section, and the federal form transmittal information on page 1 of the form according to the

instructions for those sections. Complete the amended return explanation section on page 2 of the form.

Submitting Forms W-2, W-2c, W-2G, and 1099-R

The department will accept federal Forms W-2, W-2c, W-2G, and 1099-R (if the Forms W-2G and 1099-R include Arizona withholding) submitted by either method listed below:

- A paper copy of each federal Form W-2, W-2c, W-2G, and 1099-R can be submitted with the Form A1-APR. Mail the Form A1-APR and the paper copies of the federal forms to:
Arizona Department of Revenue
PO Box 29009
Phoenix AZ 85038-9009
- A tape cartridge or diskette with the required information can be sent to:
Arizona Department of Revenue
Information Technology Division
Tape Librarian
1600 W Monroe
Phoenix AZ 85007

Refer to Publication 701, Magnetic Media Reporting, for information regarding magnetic media specifications for reporting federal Forms W-2 and 1099-R.

Penalties and Interest

A. Late Filing Penalty. A return filed after the original due date is subject to the late filing penalty unless the employer/taxpayer has an approved Arizona extension. The taxpayer must attach a copy of the approved Arizona extension to the return. A return filed after its extended due date is also subject to the late filing penalty. The late filing penalty is 4½ percent of the amount of tax required to be shown on the return. "Amount of tax required to be shown on the return" is the amount of tax imposed less the amount of any part of the tax paid on or before the beginning of the month. The penalty period is each month or fraction of a month between the due date of the return and the date the taxpayer filed the return. The maximum penalty is 25 percent of the tax found to be remaining due.

B. Late Payment Penalty. The department imposes the late payment penalty on any amount shown as tax on the return that is not paid by the date prescribed for its payment. The late payment penalty is ½ percent of the unpaid tax for each month or fraction of a month the tax remains unpaid, not to exceed 10 percent of the unpaid tax.

NOTE: *If both of the penalties described in A and B apply, the maximum combined penalty is 25 percent.*

C. Additional Failure to Pay Penalty. An employer is required to withhold Arizona income tax from compensation paid to an employee for services performed in Arizona, unless the compensation is exempted from Arizona withholding by Arizona law. The amount of tax required to be withheld is specified in Title 43, Chapter 4 of the Arizona Revised Statutes. The department may impose a penalty if the amount of tax required to be withheld, whether the amount of

tax is determined by the employer or the department, is not paid to the department by the date prescribed for its payment. The amount of the penalty is 25 percent of the amount of tax required to be withheld and paid to the department.

D. Interest. The department assesses interest on any portion of the tax, whether determined by the department or the employer/taxpayer, not paid by the date prescribed for its payment. The department applies interest, compounded annually, in the same manner and at the same times as prescribed by Internal Revenue Code § 6621 with the following exception. **Exception:** The Arizona rate of interest for both underpayments and overpayments *for all taxpayers* is the federal underpayment rate under IRC § 6621(a)(2). On January 1 of each year, the department adds any interest outstanding as of that date to the principal amount of the tax. It is then a part of the principal amount of the tax and accrues interest until paid.

Specific Instructions

Business Name and Address

Check the accuracy of the business name and address printed on the form. Make corrections on the form as required. If the name or address is missing, print or type the correct information in the Taxpayer Information section.

State Withholding Number

If you applied for your withholding license in 2004, you will not have a state withholding number and this box can remain empty. Otherwise, check the accuracy of the withholding number printed on the form. Make corrections on the form as required. If the withholding number is missing, write in the correct number. This number should include all eight numerical digits and the alphabetical letter.

Employer Identification Number (EIN)

Check the accuracy of the employer identification number printed on the form. Make corrections on the form as required. If the employer identification number is missing, write in the correct number. An EIN can be obtained from the Internal Revenue Service or from the License and Registration Section of the department.

Amended Return Check Box

Check the amended return box on page 1 of the form if this is an amended return.

Cancellation of Employer's Withholding Account

Check the account cancellation box on page 1 of the form and enter the date that final wages were paid. Complete the account cancellation explanation section on page 2 of the form.

Arizona Withholding Tax Liability

Lines 1 through 4 -

Original Returns: Enter the amount of Arizona income tax withheld for each quarter of the calendar year. Include all monies withheld for each quarter, although payment of amounts withheld was not remitted to the department until

the following February.

Amended Returns: Enter the corrected amount of Arizona income tax withheld for each quarter of the calendar year.

Line 5 -

Add lines 1 through 4. Enter the total.

Original Returns: The total should equal the amount entered on line 11.

Amended Returns: The total should equal the total amount withheld from employee wages as shown on the federal Forms W-2, W-2c, W-2G, and 1099-R submitted to the department.

Tax Payments

Line 6 -

Original Returns: Enter the amount of all payments made for 2004. Do not include or enter the amount of an extension payment.

Amended Returns: Enter the amount of all payments made for 2004. The total should also include the amount of a payment sent with the original return and any payments made after the original return was filed. Do not include or enter the amount of an extension payment.

Line 7 -

Original Returns: Enter any payment made with the application for extension of time to file the original return. Attach a copy of the Form A1-APR EXT to the front of this return.

Amended Returns: Enter any payment made with the extension of time to file the original return.

Line 8 -

Original Returns: Add lines 6 and 7. Enter the total.

Amended Returns: Enter the total of lines 6 and 7 less the amount of any previous refunds or the amount of any previously applied credits.

Line 9 -

If the amount on line 5 is **larger** than the amount on line 8, there is a **balance of tax due**. Subtract line 8 from line 5, and enter the difference. Make checks payable to the Arizona Department of Revenue. Send the check and the return to the department at the address listed on page 1 of the form.

Line 10 -

If the amount on line 8 is **larger** than the amount on line 5, there is an **overpayment of tax**. Subtract line 8 from line 5, and enter the difference (as a positive number). This is the amount of the overpayment of tax.

After the return is processed and payments are confirmed, a credit notice will be generated. The department will apply the credit to any existing liabilities. **Do not use a credit until a credit notice has been received.**

A refund will not be issued unless a written request detailing the justification is submitted to the department. The top

portion of the credit notice, or copy, should be attached to the written request. No refund will be issued once the credit is applied to a liability.

Federal Form Transmittal Information

Line 11 -

Enter the total amount of Arizona income tax withheld from wages paid to employees for 2004 (as shown on federal Forms W-2, W-2c, W-2G, and 1099-R).

Line 12 -

Enter the total amount of wages paid to Arizona employees for 2004 (as shown on federal Forms W-2, W-2c, W-2G, and 1099-R).

Line 13 -

Enter the total number of Arizona employees for the calendar year.

Line 14 -

Enter the total number of federal Forms W-2, W-2c, W-2G, and 1099-R submitted with this return.

Amended returns: If you were required to make changes to this information since you filed your original A1-APR, write the corrected information here.