

Changes to Arizona Withholding for Wages Paid After December 31, 2010.

The Department prescribed new withholding tables in early 2010 in accordance with Senate Bill 1185 (Laws 2009, 1st Reg. Session, Chapter 2). The new tables were effective for wages paid after June 30, 2010.

The new withholding tables are based on a percentage of gross taxable wages. "Gross taxable wages" is the amount that meets the federal definition of "wages" contained in IRC § 3401 and that will generally be included in box 1 of the employee's federal Form W-2 at the end of the calendar year (i.e. gross wages net of pretax deductions, such as the employee's portion of health insurance premiums).

Each employee subject to Arizona income tax withholding was required to complete a new Arizona Form A-4.

The Department has revised Arizona Form A-4 effective for wages paid after December 31, 2010. The changes include:

- Providing an additional withholding percentage of 0.8%. Previously available percentages are unchanged.
- Removal of the \$15,000 annual compensation threshold. All seven withholding percentage rates are available to all employees, regardless of annual compensation.
- Relaxing the exemption requirements. The employee only has to expect that there will be no Arizona tax liability in the current taxable year (instead of not having a liability in the prior year and not expecting one in the current year). However, this withholding exemption election will need to be renewed annually, similar to federal requirements.

Unlike the previous changes effective July 1, every employee is not required to complete a new Arizona Form A-4. Employees wanting to renew their withholding exemption are required file a new Form A-4 with their employer. Employees wanting to take advantage of the lower withholding percentage must file a new Form A-4 with their employer. Individuals with a current withholding percentage elected on Arizona Form A-4P or Arizona Form A-4V may also file a new form to take advantage of the new withholding percentage.

Withholding percentage options for wages paid after December 31, 2010.
Rates are a percentage of gross taxable wages.
Percentage Rates
0.8%
1.3%
1.8%
2.7%
3.6%
4.2%
5.1%

The 2011 Arizona Form A-4, Arizona Form A-4P, and Arizona Form A-4V are available on the Department's website at www.azdor.gov/Forms/Withholding