



Douglas A. Ducey  
Governor

David Briant  
Director

## ARIZONA WITHHOLDING TAX PROCEDURE WTP 16-2

Procedure for Filing Arizona Withholding Tax Forms and Returns

### **ISSUE:**

What Arizona withholding tax forms and returns must an employer file and when must the employer file those forms and returns?

### **PROCEDURE:**

| <b>For Arizona withholding tax purposes, the following forms and returns are required:</b>            |  |   |
|---|--|---|
| <b>Form</b>   | <b>How Often</b>   | <b>Who Must Use</b>   |
| A1-WP   | Withholding Payment Transmittal Form for Payments made by check or money order that are not remitted with Form A1-QRT or Form A1-APR | Employers that remit multiple payments during a quarter that do not remit those payments by electronic means.                               |
| A1-QRT  | Quarterly  | Employers that do not qualify to remit on an annual basis.  |
| A1-R  | Annually   | Employers that do not qualify to remit on an annual basis.  |
| A1-APR  | Annually   | Employers that qualify to remit and do remit on an annual basis.  |
| A1-T  | Annually   | Employers or representatives that file Form A1-R or A1-APR electronically.  |
| Federal Forms W-2, W-2G (with Arizona withholding) and 1099-R (with Arizona withholding) to Arizona   | Annually (Submitted with Form A1-R, A1-APR or A1-T, as appropriate)  | All payors that have made payment of Arizona wages, annuities (with Arizona tax withheld) or gambling winnings (with Arizona tax withheld). |
| Federal Forms W-2, W-2G (with Arizona withholding) and 1099-R (with Arizona withholding) to the payee | Annually   | All payors that have made payment of Arizona wages, annuities (with Arizona tax withheld) or gambling winnings (with Arizona tax withheld). |

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### **FORM A1-WP**

#### **Q1. Why is Form A1-WP required?**

**A1.** Form A1-WP must accompany all payments made by check or money order that are not remitted with Form A1-QRT or A1-APR. Form A1-WP is used to identify those payments as withholding payments and to properly apply those payments to the employer making the payments. See Arizona Department of Revenue Withholding Tax Procedure WTP 16-1, to determine when Arizona withholding payments must be made.

### **FORM A1-QRT**

#### **Q2. Why is Form A1-QRT required?**

**A2.** Arizona law requires employers to reconcile the amounts withheld during the quarter to the amounts paid during the quarter. Form A1-QRT is filed for this purpose. Form A1-QRT is also used as the payment transmittal form for payments made on a quarterly basis when those payments are made by check or money order.

#### **Q3. Who must file Form A1-QRT?**

**A3.** All employers, except employers who remit on an annual basis must file Form A1-QRT. Employers that remit on any of the following schedules must file Form A1-QRT:

- Quarterly
- Monthly
- Semiweekly (including employers that incur a one banking day payment obligation)

#### **Q4. What are the due dates for filing Form A1-QRT?**

**A4.** Form A1-QRT is due as follows:

| Quarter                | Form A1-QRT Due Date | *Form A1-QRT Extended Due Date |
|------------------------|----------------------|--------------------------------|
| 1 (January - March)    | April 30             | May 10                         |
| 2 (April - June)       | July 31              | August 10                      |
| 3 (July - September)   | October 31           | November 10                    |
| 4 (October - December) | January 31           | February 10                    |

If any due date falls on a Saturday, Sunday or legal holiday, the return will be timely if it is filed by the next business day.

\*Extended Form A1-QRT due dates are available to employers who have made every payment on time during the prior quarter. These employers may have 10 additional days in which to file their A1-QRT.

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**Q5. Can an employer get an extension of time to file Form A1-QRT, that is beyond the extended due date?**

**A5.** No. Arizona law does not allow the department to grant an extension of time to file Form A1-QRT, beyond the dates shown in the chart in question 4.

**Q6. Is there a penalty for filing Form A1-QRT late?**

**A6.** A late filed Form A1-QRT may be subject to a late filing penalty. The late filing penalty is 4½% (.045) of the amount of tax required to be shown on the return for each month or fraction of a month elapsing between the due date of the return (up to 25%), and the date on which it is filed. The amount of tax required to be shown on the return is the amount of tax imposed less the amount of the tax paid on or before the beginning of the month. The penalty cannot exceed 25% of the tax found to be remaining due.

**Q7. How does an employer file Form A1-QRT?**

**A7.** The following methods may be used to file Form A1-QRT.

- a) Use a payroll service company (PSC).
- b) File online.
- c) File a paper return.

#### **Use a payroll service company (PSC) to file Form A1-QRT.**

An employer can use the services of a PSC to file Form A1-QRT on its behalf. When an employer uses a PSC to file its Form A1-QRT, the PSC must file the Form A1-QRT electronically.

A PSC is a third party that agrees to take over some, or all, of the employer's withholding duties like remitting amounts withheld and filing returns. The PSC must be registered with the department. The PSC will charge a fee for its services.

The employer is solely responsible for making sure its withholding returns get filed. Using a PSC does not relieve the employer from its duties. If using a PSC, the employer should make sure the company is upright and honest.

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### **File online.**

To file Form A1-QRT online, the business must be registered to use [www.AZTaxes.gov](http://www.AZTaxes.gov). When filing and paying online, the employer does not have to file a paper form with the department.

### **File a paper return.**

The employer can access a fillable form on [www.azdor.gov](http://www.azdor.gov). To access the form, click on "Forms" from the menu of the left hand side of the department's home page. Next, select "Withholding" and then select the form you would like to complete. Complete the form, save a copy, print a copy and sign the return and then mail the return to the address specified on the form.

## **FORM A1-R**

### **Q8. Why is Form A1-R required?**

**A8.** Arizona law requires employers to reconcile the amounts withheld during the year to the amounts paid during the year. Form A1-R is filed for this purpose. Additionally, if a paper Form A1-R is filed, Form A1-R is the transmittal return for federal Form W-2, Form W-2c, Form W-2G (with Arizona withholding) and Form 1099-R (with Arizona withholding).

### **Q9. Who must file Form A1-R?**

**A9.** All employers, except employers who remit on an annual basis must file Form A1-R. Employers that remit on any of the following schedules must file Form A1-R.

- Quarterly
- Monthly
- Semiweekly (including employers that incur a one banking day payment obligation)

### **Q10. What is the due date for filing Form A1-R?**

**A10.** Form A1-R is filed once a year. This return covers the prior calendar year. Form A1-R is due by February 28 of the year following the calendar year for which payments were made. If the due date falls on a Saturday, Sunday, or legal holiday, the return is timely if it is filed by the next business day.

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#### **Q11. Can an employer get an extension of time to file Form A1-R?**

**A11.** An employer may apply for a 30-day extension of time to file Form A1-R. When asking for an extension, the employer must show good cause. The employer must file the extension request as soon as the employer knows that an extension of time to file is necessary. The extension request must be mailed on or before February 28. For information on how to request an extension, see the department's withholding tax procedure WTP 11-1.

#### **Q12. Is there a penalty for filing Form A1-R late?**

**A12.** Yes. Form A1-R is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete Form A1-R is \$100 a month, or fraction of a month, that the failure continues. The penalty can go up to \$500.

#### **Q13. How does an employer file Form A1-R?**

**A13.** The following methods may be used to file Form A1-R.

- a) Use a payroll service company (PSC).
- b) File a paper return.

For information about how to file using any of the above methods, see the answer to question 7.

### **Form A1-APR**

#### **Q14. Why is Form A1-APR required?**

**A14.** Some employer's may qualify to make one annual Arizona withholding payment. An employer that is eligible to file and pay on an annual basis files one Form A1-APR and remits the tax withheld during the calendar year with that Form A1-APR. Additionally, if a paper Form A1-APR is filed, Form A1-APR is the transmittal return for federal Form W-2, Form W-2c, Form W-2G (with Arizona withholding) and Form 1099-R (with Arizona withholding).

#### **Q15. Who must file Form A1-APR?**

**A15.** Employers that are eligible to remit and do remit their Arizona withholding on an annual basis.

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#### **Q16. What is the due date for filing Form A1-APR?**

**A16.** Form A1-APR is filed once a year. This return covers the prior calendar year. Form A1-APR is due by February 28 of the year following the calendar year for which payments were made. If the due date falls on a Saturday, Sunday, or legal holiday, the return is timely if it is filed by the next day business day.

#### **Q17. Can an employer get an extension of time to file Form A1-APR?**

**A17.** An employer may apply for a 30-day extension of time to file Form A1-APR. When asking for an extension, the employer must show good cause. The employer must file the extension request as soon as the employer knows that an extension of time to file is necessary. The extension request must be mailed on or before February 28. For information on how to request an extension, see the department's withholding tax procedure WTP 11-1.

#### **Q18. Is there a penalty for filing Form A1-APR late?**

**A18.** A late filed Form A1-APR may be subject to a late filing penalty. The late filing penalty is 4½% (.045) of the amount of tax required to be shown on the return for each month or fraction of a month elapsing between the due date of the return (up to 25%), and the date on which it is filed. The amount of tax required to be shown on the return is the amount of tax imposed less the amount of the tax paid on or before the beginning of the month. The penalty cannot exceed 25% of the tax found to be remaining due.

#### **Q19. How does an employer file Form A1-APR?**

**A19.** The following methods may be used to file Form A1-APR.

- a) Use a payroll service company (PSC).
- b) File online.
- c) File a paper return.

For information about how to file using any of the above methods, see the answer to question 7.

**Form A1-T**

**Q20. Why is Form A1-T required?**

**A20.** Employers must complete Form A1-T to transmit wage and tax statements (federal Form W-2, W-2G and/or Form 1099) to the department when the wage and tax statements are not transmitted with the filing of Form A1-R or A1-APR.

**Q21. Who must file Form A1-T?**

**A21.** All employers or representatives that:

a) File Arizona Form A1-R **electronically** through its payroll service provider or a transmitter;

Or

b) File Arizona Form A1-APR **electronically** through its payroll service provider, a transmitter, or by logging in to [www.AZTaxes.gov](http://www.AZTaxes.gov).

**Q22. What is the due date for filing Form A1-T?**

**A22.** Form A1-T is considered to be part of the Form A1-R or Form A1-APR. Therefore, this form is due at the same time as the employer's Form A1-R or A1-APR (February 28 of the year following the calendar year for which payments were made). If the due date falls on a Saturday, Sunday, or legal holiday, the return is timely if it is filed by the next day business day.

**Q23. Can an employer get an extension of time to file Form A1-T?**

**A23.** Form A1-T is due at the same time as the employer's Form A1-R or A1-APR. Therefore, if an employer was granted an extension for filing its Form A1-R or A1-APR, the employer may also file Form A1-T by that same extended due date.

**Q24. How does an employer file Form A1-T?**

**A24.** Form A1-T must be filed by mail to the address noted on the form.

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### **Remitting Federal Forms W-2, W-2c, W-2G, and 1099-R to the Department**

**Q25. Why must federal Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) be remitted to the department?**

**A25.** The state copies of federal Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) are a part of the Form A1-R or Form A1-APR.

**Q26. Who must remit federal Forms W-2, W-2c, W-2G, and 1099-R to the department?**

**A26.** All employers that have paid Arizona wages and all payors that have withheld Arizona tax from annuity payments or gambling winnings.

**Q27. When must federal Forms W-2, W-2G, and 1099-R be remitted to the department?**

**A27.** Federal Forms W-2, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) are due at the same time as Form A1-R or A1-APR (February 28 of the year following the calendar year for which payments were made).

**Q28. Can an employer get an extension of time to remit Forms W-2, W-2G, and 1099-R to the department?**

**A28.** If an employer was granted an extension for filing its Form A1-R or A1-APR, the employer may also remit federal Forms W-2, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) by that same extended due date.

**Q29. How does an employer remit Forms W-2, W-2c, W-2G, and 1099-R to the department?**

**A29.** The department will accept federal Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) either via optical media or paper copy. For information on remitting federal Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding) via optical media, see the department's publication 701, *Optical Media Reporting*. If remitting paper copies of federal Forms W-2, W-2c, W-2G (with Arizona withholding), and 1099-R (with Arizona withholding), remit these forms with Form A1-R, or A1-APR, or A1-T, as appropriate.

**Delivering Federal Forms W-2, W-2G, and 1099-R to the Payee**

**Q30. When must Federal Forms W-2, W-2G and 1099-R be delivered to the Payee?**

**A30.** Federal Forms W-2, W-2G and 1099-R must be delivered to the payee by January 30 of the year following the close of the calendar year in which the payments were made. Each form must show the gross earnings and the amount of Arizona tax withheld during the prior year.

**APPLICABLE LAW:**

Arizona Revised Statutes (A.R.S.) § 42-1125(A), provides for a late filing penalty if a taxpayer fails to make and file an income tax return on or before the due date of the return or the due date as extended by the department. The late filing penalty is 4½% of the tax required to be shown on the return for each month or fraction of a month elapsing between the due date of the return (up to 25%), including extensions, and the date on which it is filed.

A.R.S. § 42-1125(K) provides, in part, that if any person who is required to file or provide an information return under title 43 fails to file the return or report at the prescribed time or in the manner required, or files a return or report that fails to show the information required, that person shall pay a penalty of \$100 for each month or fraction of a month during which the failure continues (up to \$500).

A.R.S. § 43-401(A) requires employers to withhold Arizona income tax from employee wages and to remit amounts withheld to the department at prescribed times.

A.R.S. § 43-401(C) requires employers to reconcile the amounts payable during the preceding calendar quarter in a manner prescribed by the department. On or before April 30, July 31, October 31 and January 31 each year, the employer shall reconcile the amounts payable during the preceding calendar quarter in a manner prescribed by the department, except that if the full amount collected and payable is paid timely to the department under this subsection, the employer may reconcile the amounts on or before May 10, August 10, November 10 and February 10 each year.

A.R.S. § 43-412(A) requires every employer at the time of filing a reconciliation pursuant to section 43-401, subsection C shall deliver to the department a return in the form prescribed by the department showing the total amount of wages, salaries, bonuses or other emoluments paid to employees, the amount deducted pursuant to this chapter and such other information as the department may require. The employer shall advise the employee of the amount of monies withheld, in accordance with such rules as the department may prescribe, using printed forms furnished by the department for such purposes or, when requested by the employer, on forms approved by the department.

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A.R.S. § 43-412(B) The employer shall make an annual return for the calendar year to the department on forms provided by it summarizing the total compensation paid and the tax withheld for each employee during the calendar year and shall file such return with the department on or before February 28 of the year following the year for which the report is made. The department may extend the filing deadline on a showing of good cause by the employer. The return required by this section shall contain or be verified by a written declaration that it is made under the penalties of perjury.

A.R.S. § 43-413 requires employers to furnish, within 30 days after the end of the calendar year, each employee with a statement of the amount during the prior year of the amount withheld during the previous tax year, showing the gross earnings and the amount of tax withheld.

A.R.S. § 43-418(E)(2) defines a payroll service company as a person who has custody or control over a client's monies for the purpose of paying the withheld taxes and filing returns of a client with the department.

Grant Nülle, Deputy Director

Signed: May 31, 2016

#### Explanatory Notice

The purpose of a tax procedure is to provide procedural guidance to the general public and to Department personnel. A tax procedure is a written statement issued by the Department to assist in the implementation of tax laws, administrative rules, and tax rulings by delineating procedures to be followed in order to achieve compliance with the law. Relevant statute, case law, or administrative rules, as well as a subsequent procedure, may modify or negate any or all of the provisions of any tax procedure. See GTP 96-1 for more detailed information regarding documents issued by the Department of Revenue.