

# Annuitant's Request for Voluntary Arizona Income Tax Withholding

## How do I Determine Which Percentage to Elect?

In an effort to assist annuitants in electing a withholding percentage, the following simple examples are provided for general guidance. However, each annuitant must take into consideration the particular facts of their own situation and adjust the calculation accordingly.

If you want to keep your withholding approximately the same as last year, you can use your federal Form 1099-R for 2009 or your last distribution statement to calculate which withholding percentage to elect. For example, if box 2a of federal Form 1099-R shows \$36,000 in taxable distributions and box 10 shows \$1,200 in state income tax withheld, divide box 10 by box 2a to determine your withholding percentage ( $1,200 / 36,000 = .033$  or 3.3%). In order to keep your withholding the same as 2009, choose 2.7% ( $36,000 \times .027 = 972$ ) and an additional \$19.00 per monthly distribution ( $1,200 - 972 = 228 / 12 = 19.00$ ). Be sure to take into account any amount already withheld for 2010. If you want to withhold more, choose one of the higher percentages or choose to have an additional amount withheld.

**CAUTION: Underwithholding can result in payment of tax due when you file your Arizona return and/or underpayment penalties.**

If you would rather more closely approximate your tax liability from last year, use your tax liability from your 2009 Arizona income tax return. Divide that number by the number of distributions in calendar year 2010. This will be the amount of withholding you will try to have withheld out of each distribution. For instance, if your 2009 tax liability was \$1,800 and you receive a distribution once a month (12 distributions a year) divide \$1,800 by 12 ( $1,800 / 12 = 150.00$ ). This is your withholding goal per distribution. Next, divide your withholding goal by your taxable distribution amount, \$6,000 in this example, to determine the percentage of withholding to taxable distribution ( $150.00 / 6,000 = .025$  or 2.5%). An election of 1.8% would result in \$108.00 ( $6,000 \times 1.8\% = 108$ ) withheld for Arizona from each distribution (\$1,296 annually), while electing 2.7% would result in \$162.00 ( $6,000 \times 2.7\% = 162$ ) withheld for Arizona from each distribution (\$1,944 annually). Be sure to take into account any amount already withheld for 2010.

**Example:** This example assumes this distribution is your only income and your situation is the same as last year. If you receive a distribution once a month and your federal Form 1099-R shows \$48,000 in box 2a and \$2,400 in box 10, \$900 has already been withheld from your distributions for 2010, there are 6 distributions remaining in the calendar year, and you want to keep your withholding approximately the same, the following worksheet shows how to keep your Arizona withholding the same.

	Example:		Your Calculation:	
<b>Line 1:</b> Annual taxable distribution.	\$48,000			
<b>Line 2:</b> Number of distributions per year.	12			
<b>Line 3:</b> Divide line 1 by line 2. This is the taxable amount per distribution.	$48000 / 12 =$	\$4,000		
<b>Line 4:</b> Annual withholding goal.	\$2,400			
<b>Line 5:</b> Amount already withheld for the calendar year.	\$900			
<b>Line 6:</b> Balance of withholding for the calendar year.	$2400 - 900 =$	\$1,500		
<b>Line 7:</b> Number of of distributions remaining in the calendar year.	6			
<b>Line 8:</b> Divide line 6 by line 7. This is your Arizona withholding goal per distribution.	$1500 / 6 =$	\$250.00		
<b>Line 9:</b> Percentage: divide line 8 by line 3.	$250 / 4000 =$	6.25%		
<b>Line 10:</b> Withholding percentage that is less than line 9. Check this box on line 1 of Form A-4.	5.1%			
<b>Line 11:</b> Multiply line 10 by line 3.	$5.1\% \times 4000 =$	\$204.00		
<b>Line 12:</b> Subtract line 11 from line 8. Enter this amount in the additional amount space on line 1 of Form A-4.	$250 - 204 =$	\$46.00		