

Voluntary Withholding Request for Arizona Resident Employed Outside of Arizona

Arizona Revised Statutes (ARS) §43-408 allows your employer, at your request, to withhold Arizona income tax from your compensation paid for services performed outside Arizona for application toward your Arizona income tax liability. Your employer is not statutorily required to grant this request.

If your employer agrees to withhold Arizona income tax from your compensation, Arizona withholding is a percentage of your gross taxable wages of every paycheck.

“Gross taxable wages” is the amount from each paycheck that will be included in box 1 of your federal Form W-2 at the end of the calendar year (i.e. gross wages net of pretax deductions, such as your portion of health insurance premiums). You may also have your employer withhold an additional amount from each paycheck.

Complete this form to request that your employer withhold Arizona income tax from your compensation and elect an Arizona withholding percentage and any additional amount to be withheld from each paycheck. Give the completed form to your employer.

How do I Determine Which Percentage to Elect?

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

If you want to keep your withholding approximately the same as last year, you can use your federal Form W-2 for 2009 or your last pay stub to calculate which withholding percentage to elect. For example, if box 1 of federal Form W-2 shows \$40,000 in wages and box 17 shows \$1,000 in state income tax

withheld, divide box 17 by box 1 to determine your percentage ($1,000 / 40,000 = .025$ or 2.5%). In order to keep your withholding the same as 2009, choose 1.8% ($40,000 \times .018 = 720$) and an additional \$10.77 per biweekly pay period ($1,000 - 720 = 280 / 26 = 10.77$). 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 paydays in calendar year 2010. This will be the amount of withholding you will try to have withheld out of each paycheck. For instance, if your 2009 tax liability was \$1,500 and you are paid every two weeks (26 paydays a year) divide \$1,500 by 26 ($1,500 / 26 = 57.69$). This is your withholding goal per paycheck. Next, divide your withholding goal by your biweekly gross taxable wages, \$2,000 in this example, to determine the percentage of withholding to gross taxable wages ($57.69 / 2,000 = .028845$ or 2.88%). An election of 2.7% would result in \$54.00 ($2,000 \times 2.7\% = 54$) withheld for Arizona from each paycheck (\$1,404 annually), while electing 3.6% would result in \$72.00 ($2,000 \times 3.6\% = 72$) withheld for Arizona from each paycheck (\$1,872 annually). Be sure to take into account any amount already withheld for 2010.

Example: This example assumes these wages are your only income and your employment situation is the same as last year. If you are paid every two weeks and last year's federal Form W-2 shows \$52,000 in box 1 and \$1,800 in box 17, \$900 has already been withheld from your paychecks for 2010, there are 13 paychecks 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:	
Line 1: Annual gross taxable wages.	\$52,000			
Line 2: Number of paychecks per year.	26			
Line 3: Divide line 1 by line 2. This is wages per paycheck.	$52000 / 26 =$	\$2,000		
Line 4: Annual withholding goal.	\$1,800			
Line 5: Amount already withheld.	\$900			
Line 6: Balance of withholding for the calendar year.	$1800 - 900 =$	\$ 900		
Line 7: Number of paychecks remaining in the calendar year.	13			
Line 8: Divide line 6 by line 7. This is your Arizona withholding goal per paycheck.	$900 / 13 =$	\$69.23		
Line 9: Percentage: divide line 8 by line 3.	$69.23 / 2000 =$	3.4615%		
Line 10: Withholding percentage that is less than line 9. Check this box on line 1 of Form A-4.	2.7%			
Line 11: Multiply line 10 by line 3.	$2.7\% \times 2000 =$	\$54.00		
Line 12: Subtract line 11 from line 8. Enter this amount in the additional amount space on line 1 of Form A-4.	$69.23 - 54.00 =$	\$15.23		