

# Questions and Answers for new Arizona Form A-4 (2023) Changes to Arizona Income Tax Withholding

## GENERAL QUESTIONS

### Why is this change being made?

[Senate Bill 1828](#) (Laws 2021, Fifty-fifth Legislature, 1st Reg. Session) amended the individual income tax brackets for tax years beginning after December 31, 2021. On November 1, 2022, the Arizona Department of Revenue (AZDOR) published an updated Form A-4 to reflect the lower rates.

### Are all employees required to turn in a new Arizona A-4 form?

Arizona tax rates have decreased and as a result, AZDOR is revising withholding percentages and is requiring taxpayers to complete a new Form A-4 for 2023. Therefore, every employee is required to fill out a new Arizona A-4 form effective for wages paid after January 1, 2023 unless they qualify to complete:

- [A-4V](#) "Voluntary Withholding Request for Arizona Resident Employed Outside Arizona"
- [WEC](#) "Withholding Exemption Certificate" for Arizona Nonresidents
- [WECI](#) "Withholding Exemption Certificate, Native Americans with Instructions"
- [WECM](#) "Withholding Exemption Certificate for Military Spouses"

### Has the gross taxable wage calculation changed?

No. The eligible pre-tax items that can be deducted from gross wages for calculating gross taxable wages have not changed.

### What is "gross taxable wages"?

"Gross taxable wages" is the amount that meets the federal definition of "wages" contained in IRC § 3401 and that will be included in box 1 of the employee's federal Form W-2 at the end of the calendar year. To determine gross taxable wages, take:

Gross Wages (taken from the PAY section of the employee Pay Stub)

- + Value of Auto Usage (if any)
- + Value of Imputed Income (if any)
- + Taxable Reimbursements (if any)
- + Taxable Per Diem (if any)
  
- Any pre-tax deductions (shown with asterisk \*) that appear on your paystub
- Deferred Compensation Contributions
- Tax Sheltered Annuity Contributions
- HSA Contributions (employee only)
- Retirement Contributions
- Health/Dental Insurance Premiums
- Supplemental Life Premiums
- Dependent Care Deductions
- Medical Reimbursement Deductions
- Vision Care Premiums
- Bus Card/Platinum Pass Deductions

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## **What about volunteers who only get reimbursed non-taxable travel?**

Even volunteers should complete an A-4 in the event they are paid taxable income (such as taxable travel reimbursements) in the future. However, because non-taxable travel reimbursements aren't included in gross taxable wages, no withholding is taken for these payments.

## **Do employees really need to include their Social Security Number on the A-4 form?**

Yes. The requirements of an official Department of Revenue form apply to all employers and employees statewide.

## **If an employee files exempt from Federal withholding, are they automatically exempt from State withholding?**

No. To be exempt from State income tax withholding, an employee would need to qualify and file as exempt on the State A-4 form.

## **How does an employee file exempt from State withholding?**

To qualify as exempt, employees must meet the following criteria as prescribed by the Department of Revenue:

- Employee had NO Arizona tax liability for the prior taxable year, AND
- Employee expects to have NO Arizona tax liability for the current taxable year

If both criteria apply and the employee wishes to file exempt, box 2 should be selected, and the A-4 form submitted to the Agency Payroll or Personnel Office

## **Can an employee file exempt with an additional amount per paycheck?**

An employee qualifying and electing to be exempt does not have the option to designate an additional withholding amount. Employees changing their Arizona withholding election to exempt should have their PR13 record reviewed to ensure any additional amounts are removed.

## **How does a person know if the A-4 form is applicable now or applied to wages paid after December 31, 2022?**

The A-4 form has a NOTE at the top showing the effective period.

## **If an employee turns in more than one A-4 form, which one should be used?**

The most recently submitted, properly completed, A-4 form should be used.

## **How do employees know which percentage withholding to choose?**

Agency Payroll and Personnel Offices cannot provide tax advice. To assist employees in electing a withholding percentage, examples are provided on the instructions of the new A-4. Each employee must take into consideration their particular situation to determine their elections. If employees have questions, they should speak with a tax advisor.

## **On which payday will the new tax withholding rates appear?**

January 12, 2023

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## Where can more information be found?

Additional forms, instructions and materials are available on the AZ Department of Revenue website at <http://www.azdor.gov>.

## Can an employee file State withholding preferences electronically?

Employees now have two options to complete the new Arizona Form A-4 that is required by law for wages paid after December 31, 2022. State employees on the HRIS payroll system can submit an Arizona Form A-4 on paper or electronically via the YES website beginning December 31, 2022.

## Does the new A-4 form received by an employee need to be an original, paper document?

Yes. A fax, scan, or copy of a signed A-4 form is not acceptable. Original paper A-4 forms are required to be on file by the Agency Payroll or Personnel Office and available for audit.

## HRIS-RELATED QUESTIONS

### Is there a deadline for submitting an employee's new Arizona A-4 form to their Agency?

All new paper A-4 forms should be completed by the employee and turned into their Agency Payroll or Personnel Office no later than January 4, 2023. **Agencies may set an earlier deadline for their employees.**

### What should Agencies do with the new A-4 forms being turned in now?

Agencies should hold these forms. Entering these elections into HRIS too soon will impact payments made that should be calculated using the current A-4 (payments through December 31, 2022) elections on file.

### What is the time frame for entering the elections on the new A-4 forms into HRIS?

The final deadline to get all new A-4's into HRIS is January 10, 2023 at 2:00 PM. Agencies not utilizing the Excel-based upload template noted in the following paragraph can begin entering the new A-4 elections in HRIS on January 3rd (after all employee records are defaulted to 2.0% on Friday December 30th). Any handwrites paid up to and including December 30th must use the current A-4 election.

### Can A-4 elections be uploaded directly into HRIS?

Yes. Agencies will need to collect and retain the paper A-4 form received by each employee. Agencies can then immediately key the A-4 elections into an Excel-based upload template available on the GAO Website at: <https://gao.az.gov/payroll-rasl/payroll-guide>. This template will need to be sent to [Central.Payroll@azdoa.gov](mailto:Central.Payroll@azdoa.gov) by 5:00 PM on Friday, January 6, 2023 to be uploaded into HRIS by GAO Central Payroll. Agencies receiving any new paper A-4 forms from employees after this date will need to manually enter the forms into HRIS on the PR14.1 no later than Tuesday, January 10, 2023 at 2:00PM.

## Questions and Answers for new Arizona Form A-4 (2023) Changes to Arizona Income Tax Withholding

How do I know what the HRIS formula conversion is for the new State tax rates?

HRIS Formula	NEW RATES % of gross taxable wages starting January 2023	
8	0.0%	See Note 1
15	0.5%	
9	1.0%	
14	1.5%	
13	2.0%	New default rate
12	2.5%	
11	3.0%	
10	3.5%	
Note 1: Only available if the employee had no tax liability last year and does not expect to have any tax liability in the current year. Annual renewal required.		