

Arizona Payroll Tax Withholding Changes

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This spring the Arizona legislature passed Senate Bill 1185 which changed the amounts required to be withheld from employees' wages for Arizona payroll tax withholding purposes. Currently, the Arizona payroll tax withheld is a percentage of the federal income tax withholding.

Through April 30, 2009, an employee whose annual compensation was less than \$15,000 had to elect either 10%, 19%, 23%, 25%, 31% or 37% of the federal withholding. For individuals whose annual compensation was more than \$15,000 the amount that was required to be withheld was 19%, 23%, 25%, 31% or 37% of the federal withholding.

Beginning May 1, 2009 through December 31, 2009, the Arizona withholding percentages will be increased automatically as follows:

Old Rate New rate

10% 11.5%

19% 21.9%

23% 26.5%

25% 28.8%

31% 35.7%

37% 42.6%

For income tax withheld on or after January 1, 2010 through June 30, 2010, the percentages will be decreased as follows:

Old Rate New rate

11.5% 10.7%

21.9% 20.3%

26.5% 24.5%

28.8% 26.7%

35.7% 33.1%

42.6% 39.5%

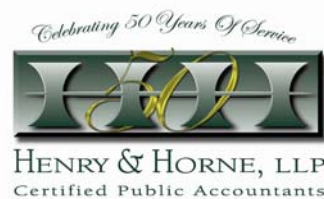
Individuals who currently elect and qualify for Arizona 0% withholding can continue to have 0% withholding through June 30, 2010.

For income tax withheld on or after July 1, 2010, the Arizona amount withheld will no longer be a percentage of federal withholding. The Arizona amounts withheld will be based on tables prescribed by the Arizona Department of Revenue.

All employees are allowed to change their Arizona elected withholding percentage. To do so, contact your employer and complete a new Form A-4.

For more information about this payroll tax withholding law change, visit the Arizona Department of Revenue website at www.azdor.gov.

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