

Employer's Instructions for the Employee's Arizona Withholding Election

Arizona Form A-4

For information or help, call one of the numbers listed:

Phoenix (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at www.azdor.gov.

Withholding Tax Procedures and Rulings

These instructions may refer to the department's withholding tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research*. On the next page, click on *Legal Research*. Select a Document Type and a Category from the drop down menus. If you know the document ID number you may enter it in the Search field and then press enter.

Publications

To view or print the department's publications, go to our website, scroll down, click on *Reports & Legal Research*, and click on *Publications* in the right hand column.

Arizona employers are required to make Arizona Form A-4 available to employees at all times and to inform them of Arizona's withholding election options.

Arizona income tax withholding is a percentage of gross taxable wages. "Gross taxable wages" is the amount that meets the federal definition of "wages." Generally, it is the amount included in box 1 of the employee's federal Form W-2 at the end of the calendar year.

Employees elect the percentage of their gross taxable wages they wish to be withheld. They may also elect to have an extra amount withheld from each paycheck.

COMPLETING ARIZONA FORM A-4

- All employees are required to complete Form A-4.
- New employees must complete Form A-4 within 5 days of employment. ***If the employee fails to complete the form, the employer must withhold Arizona income tax at the default rate, 2.0% of the employee's wages until the employer receives a completed Form A-4 from that employee.***
- Current employees must complete an updated Form A-4 to elect a different Arizona withholding percentage or to change any extra amount to be withheld from his/her paycheck.
- An employee may elect an Arizona withholding percentage of zero if that employee expects to have no Arizona income tax liability for the current taxable year.
 - o If an employee makes this election, his/her employer will not withhold Arizona tax from his/her paycheck for all payroll periods beginning after the date of the employee's election.
 - o Each employee claiming to be exempt from Arizona withholding must renew this election annually. Each employee who wishes to keep this election in the next taxable year must complete and provide to his/her employer a new Form A-4 by February 15th of the following year. ***If the employee fails to provide an updated Form A-4 by February 15th, the employer will withhold Arizona income tax at the default rate, 2.0% until the employee provides the employer with an updated Form A-4.***

- A qualifying nonresident employee may use Form A-4 to elect to have a percentage of his/her wages withheld to be applied to his/her Arizona income tax liability.

EMPLOYMENT REQUIRING WITHHOLDING

Withholding tax shall be deducted from the compensation of:

- Wages paid to an Arizona resident whose compensation is for services performed within this state.
- Wages paid to a nonresident employee who is in this state solely for athletic or entertainment purposes.
- Wages paid to part-time or seasonal agricultural employees whose principal duties are operating any mechanically-driven device in such operations.
- Wages paid to a non-resident who is in this state for 60 or more days in a calendar year for the purpose of performing a service that will benefit the employer or a related entity.

EMPLOYMENT FOR WHICH WITHHOLDING MAY BE ELECTED

- A nonresident Arizona employee in this state for less than 60 days may elect to have Arizona withholding amounts subtracted from his/her paycheck and the employer must withhold tax based on the employee's election to do so.
- An out of state business may elect to withhold tax from the nonresident employee before the 60 day limitation has elapsed.
- A part-time or seasonal employee whose services to the employer consist solely of labor in connection with the planting, cultivating, harvesting or field packing of seasonal agricultural crops may elect to have Arizona withholding amounts subtracted from his/her paycheck.

NOTE: *Arizona law requires that part-time or seasonal agricultural employees whose principal job duties are operating any mechanically driven device must have Arizona income tax withheld from their paychecks. They are not exempt from Arizona withholding and must complete Form A-4 to select a percentage of gross taxable wages they wish to have withheld from their paychecks.*

EMPLOYMENT EXCLUDED FROM WITHHOLDING

NOTE: *An employee exempted from withholding tax may not be exempted from paying Arizona income tax.*

No withholding amount shall be deducted from:

- Wages paid to an employee of a common carrier when that employee is a nonresident of Arizona and regularly performs services inside and outside the state.
- Wages paid for domestic service in a private home.
- Wages paid for casual labor not in the course of the employer's trade or business.
- Wages paid for part-time or seasonal agricultural labor whose services to the employer consist solely of labor in connection with the planting, cultivating, harvesting or field packing of seasonal agricultural crops.
- Wages paid to a nonresident of Arizona who is solely in this state on a temporary basis for the purpose of performing disaster recovery from a declared disaster during a disaster period.
- Wages paid to a nonresident of Arizona engaged in any phase of motion picture production, if the employer applies

for an exemption from the withholding provisions, and the department determines that the nonresident would be allowed a credit for taxes paid to his/her state of residency or domicile.

- Wages paid to a nonresident of Arizona who is:
 - o An employee of an individual, fiduciary, partnership, corporation, or limited liability company having property, payroll and sales in this state, or of a related entity having more than fifty percent direct or indirect common ownership.
 - o Physically present in this state for less than sixty (60) days in a calendar year for the purpose of performing a service that will benefit the employer or the related entity. For purposes of determining the number of days of service in this state, days spent in the following activities are not included:
 - In transit
 - Engaging in personal activities
 - Participating in training or professional development activities or attending meetings that are not directly connected to the Arizona operations of the employer or related entity.

A “related entity having more than 50 percent direct or indirect common ownership” means that the related entities are more than 50 percent owned by the same interests. The following examples demonstrate three different situations in which the nonresident employee performs services in Arizona for less than 60 days during the calendar year.

Example 1:

Corporation A is the U.S. domestic parent of Corporation B, a wholly owned foreign subsidiary corporation. Corporation A has property, payroll and sales in Arizona. Corporation B operates in China. It has no Arizona property, payroll and sales. R is an employee of B and is not a resident of Arizona. R performs services for B in Arizona for 45 days during calendar year 2025.

Example 2:

Corporation F, based in California, is the common parent of Corporation W. Corporation F does not have property, payroll and sales in Arizona. Corporation W has property, payroll, and sales in Arizona. L is an employee of F and is not an Arizona resident. L performs services for F in Arizona for 55 days during calendar year 2025.

Example 3:

D owns 60 percent of Corporation K and 51 percent of Corporation S. N owns 40 percent of Corporation K and 49 percent of Corporation S. Corporation S has property, payroll and sales in Arizona. Corporation K is based in California and has no Arizona property, payroll, and sales. T is an employee of K and is not a resident of Arizona. T performs services for K in Arizona for 35 days during calendar year 2025.