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FOR IMMEDIATE RELEASE

ARIZONA WITHHOLDING CHANGES

Senate Bill 1185 Mandatory Changes to Arizona Withholding for Wages Paid after June 30, 2010.

Senate Bill 1185 (Laws 2009, 1st Reg. Session, Chapter 2) amended the amounts required to be withheld for Arizona withholding purposes. Through June 30, 2010, the amount required to be withheld was a percentage of federal withholding. For amounts withheld on or after July 1, 2010, the amount required to be withheld will no longer be a percentage of federal withholding. Amounts withheld on or after July 1, 2010, must be based on a table prescribed by the department.

The department has prescribed a withholding table based on a percentage of 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 (i.e. gross wages net of pretax deductions, such as the employee's portion of health insurance premiums).

Each employee subject to Arizona income tax withholding must fill out a new form that will go into effect on July 1, 2010 and give the completed form to their employer.

| Withholding percentage options for wages paid after June 30, 2010. | |
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| Rates are a percentage of gross taxable wages. | |
| Percentage Rates | |
| 1.3% (available for employees whose annual compensation is less than \$15,000) | |
| 1.8% | |
| 2.7% | |
| 3.6% | |
| 4.2% | |
| 5.1% | |

For more information and about this withholding law change and to get the new form, visit our website at www.azdor.gov.

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If you'd like more information about this topic, or to schedule an interview, please call Anthony Forschino at 602-716-6921 or e-mail Anthony at aforschino@azdor.gov