**Arizona State Payroll Taxes**

**AZ State Income Tax Withholding**

Arizona Department of Revenue’s (ADOR) Information for Employers website: <https://azdor.gov/business/withholding-tax>

**Who Must Withhold AZ State Income Taxes**

An employer that pays wages or other compensation to employees for work done in Arizona is required to withhold Arizona income tax. Register with the Arizona Department of Revenue by submitting the Arizona Joint Tax Application (AZ Form JT-1). The application may be submitted online via the AZtaxes.gov website: <https://www.aztaxes.gov/Home/Page>.

Employers withholding Arizona income tax from their employees’ compensation must remit those amounts to the Department. Several deposit schedules may apply to the employer. The schedule an employer must use will depend on the amount of Arizona income tax withheld.

* Annually: An employer whose previous 4 quarter Arizona withholding average is *less than $200* (and who meets additional criteria).
* Quarterly: An employer whose previous 4 quarter Arizona withholding average is *more than $200 but less than or equal to $1,500*.
* Monthly, Semi-weekly, or Next Business Day: An employer whose previous 4 quarter Arizona withholding average is *more than $1,500*, must deposit its Arizona withholding at the same time it makes its federal withholding deposit.

See Withholding Tax Procedure (WTP) 16-1, [*Procedure for Determining When an Employer Must Remit Arizona Withholding Tax*](https://azdor.gov/legal/procedures/wtp-16-1), for information on how to determine which deposit schedule applies to you.

Employers are required to pay their tax liability by electronic funds transfer (EFT) if the employer owes *$500 or more* for any taxable year beginning from and after December 31, 2020. Link: <https://efile.aztaxes.gov/AZFSETPortal>.

Employers required to make Arizona withholding payments on a quarterly, monthly, semi-weekly, or one-banking day basis file [Arizona Form A1-QRT](https://azdor.gov/forms/withholding-forms/arizona-quarterly-withholding-tax-return). File Arizona Form A1-QRT quarterly to reconcile Arizona withholding payments made during the calendar quarter. An employer with zero withholding tax liability for the quarter must file Arizona Form A1-QRT for that quarter.

The due dates to file Arizona Form A1-QRT are:

* April 30, for the 1st quarter,
* July 31, for the 2nd quarter,
* October 31, for the 3rd quarter, and
* January 31, for the 4th quarter.

Employers filing Arizona Form A1-QRT file Arizona Form A1-R to reconcile the amount of tax withheld during the year to the amount of tax liability reported during the year. It is also used to transmit the state copies of these federal forms.

Arizona Form A1-R is due January 31 of the year following the calendar year for which Arizona income tax was withheld. Submit federal Forms W-2 and W-2c reporting Arizona wages and/or Arizona income tax withheld, and federal Forms W-2G and 1099 reporting Arizona income tax withheld, with Arizona Form A1-APR.

If the Arizona Annual Reconciliation form (Form A1-R or Form A1-APR) was filed electronically, any federal attachments mailed to the Department (Optical Media or paper) should be attached to a paper Form A1-T.

**AZ W-4 Requirements**

All AZ employees are required to complete Form A-4, AZ Withholding Percentage Election. Link to Form A-4: <https://azdor.gov/forms/withholding-forms/arizona-withholding-percentage-election>. New employees must complete Form A-4 within five 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.

**AZ State Unemployment Insurance**

In general, workers are covered by the unemployment law of the state in which the work is performed. Arizona requires all employers to provide unemployment insurance coverage for their workers.

ADOR will forward a copy of the completed Joint Tax Application (AZ Form JT-1) to the AZ Department of Economic Security (DES). The information provided will be used to determine the agency’s liability for Arizona Unemployment Insurance taxes. DES will notify the agency separately after its processing is completed.

Employers may submit AZ quarterly Unemployment Insurance Wage Reports (Form UC-018) and pay taxes online via the AZ Unemployment Tax and Wage System (TWS) website: <https://uitws.azdes.gov/App/EmployerLogin.aspx>.

AZ unemployment taxes are assessed only on the **first $8,000** of annual earnings for each employee (taxable wage base). After meeting the annual taxable wage base for each worker, employers are required to continue reporting wages. Reported quarterly wages are used to establish eligibility for unemployment insurance benefits.

Government entities are offered an alternative method of paying for unemployment insurance: the reimbursement payment option, a form of "self-insurance." In lieu of paying taxes on a quarterly basis, you reimburse the Department of Economic Security for your proportionate share of the amount of unemployment benefits it pays to your former workers.

You may choose the reimbursement payment option within 30 days of the date you are notified of your liability for unemployment insurance coverage as an employer by completing

and returning the form enclosed with the notification. If you do not return the form, your account will be established on a tax-rated basis. Your choice remains in effect for at least three calendar years and may be changed by filing a written application at least 30 days prior to the beginning of the fourth or any subsequent year.

An employing agency is considered "Reimbursable" once it has been determined by DES to be liable for UI coverage and to be eligible to pay for it by means of the Reimbursement Payment Option. Each quarter, Reimbursable Employers must complete and submit an Unemployment Tax and Wage Report (UC-018) listing all employees' names, social security numbers, and total gross wages. No “excess” wages or taxes are computed, and no payment is included with the report. When a Reimbursable account incurs quarterly unemployment claim charges, DES will send a statement of the amount due.

Arizona has adopted the Interstate Reciprocal Coverage Arrangement for unemployment insurance. Under this arrangement, if an employee works in more than one state, an employer may elect to cover all the services of such a worker in any state in which: (1) any part of the worker's service is performed, (2) the worker has his or her residence, or (3) the employer maintains a place of business. The agreement should be initiated through the state where the employer wants to report the payroll. A Washington employer may request to elect reciprocal coverage with another state by following the filing process outlined by Washington Administrative Code 192-300-150: <https://app.leg.wa.gov/wac/default.aspx?cite=192-300-150>.

**AZ State Workers’ Compensation**

In Arizona, Workers’ Compensation is regulated by The Industrial Commission of Arizona (ICA). Arizona law requires that all public and private employers provide workers’ compensation coverage for their employees if they employ one or more persons full or part-time. The entire cost of the workers’ compensation insurance coverage is paid by the employer. Arizona law forbids the employer to deduct any portion of the premium for workers’ compensation insurance from an employee’s wages.

Washington State Department of Enterprise Services (DES) administers a Workers' Compensation Insurance program for state workers. If your employee works outside of Washington in a single other state for more than 30 days (240 hours) per year, **your agency must work with DES** to insure your out-of-state employee. For more information, contact Kimberly Haggard [kimberly.haggard@des.wa.gov](mailto:kimberly.haggard@des.wa.gov) at DES Risk Management.

**AZ State Paid Family / Medical Leave**

Arizona State does not have a paid family and medical leave program as of 01/12/2024.

**Helpful resources for Arizona State**

AZ Withholding Due Date Calendar: <https://azdor.gov/sites/default/files/2023-03/WH_duedate-calendar.pdf>

AZ Employer Withholding Filing Obligations website: <https://azdor.gov/business/withholding-tax/employer-withholding-filing-obligations>

AZ Withholding FAQs: <https://azdor.gov/business/withholding-tax/withholding-faqs>

AZ Department of Economic Security (Unemployment) website: <https://des.az.gov/>

AZ Industrial Commission of Arizona (Workers Compensation) website: <https://www.azica.gov/>