

House Bill 2287 Employer Information Reductions to Arizona Withholding Tax

House Bill 2287 allows employees to request that their employer reduce their withholding by the amount of the tax credit the employee will qualify for and be entitled to claim for contributions to a qualifying charitable organization, school tuition organization or public school, collectively known as "charitable organizations", when filing their tax return. Employees may begin making their requests known to their employers beginning January 1, 2010. The employee must supply his employer with the name of the charitable organization that will be receiving the donation and the total amount they wish to donate. This information shall be treated by the employer as confidential information.

Employers may or may not agree to honor the employee's request. If an employer agrees to honor the employee's request, within thirty days, the employer will reduce the employee's withholding by the amount requested by the employee, but not below zero, prorated over the rest of the employee's taxable year. The employer shall retain the reduced amount. If all other factors remain equal, the employee's net paycheck would be the same as if the employee had not made this request.

If the employer agrees to reduce the employee's withholding, the employer is:

- required to make quarterly payments within fifteen days after the end of each calendar quarter to the charitable organization on behalf of the employee. Only the employee is entitled to claim the credit for contributions made to the charitable organizations.
- required to provide statements of withholding to the employee and the Department of Revenue which are due within 30 days after the close of the calendar year (January 30).
- required to provide statements of withholding to the employee and the Department of Revenue within 15 days after termination of employment.
- responsible and accountable to the charitable organization, employee and Department of Revenue for actually making the required payments.

General instructions regarding the completion of the Arizona Charitable Withholding Statement or any other tax forms are available for review at www.azdor.gov.

Q. Are employers required to grant an employee's request?

A. No. The employer is not required to grant an employee's request. Whether or not an employer agrees to participate is optional.

Q. Where can I find a list of qualified charitable organizations?

A. The department maintains a list of charities that qualify for the working poor credit. Visit <http://www.azdor.gov/TaxCredits/CharitableTaxCredit.aspx> to view the current list. Public and charter schools can be found by searching the Arizona Department of Education website with the following link: <http://www.ade.state.az.us/edd/>. School tuition organizations that have reported to the department are on a list maintained by the department and accessible from the department's website: <http://www.azdor.gov/TaxCredits/SchoolTaxCreditsforIndividuals.aspx>

Q. Can an employee rescind their request for reduced withholding?

A. Yes. An employee may rescind their request for reduced withholding by so requesting from their

employer. However, contributions already deducted may not be returned to the employee. They must be remitted to the charitable organization.

Q. If an employer files Arizona Form A1-E and chooses not to withhold state withholding tax from employees in December, are pay dates in December included in the calendar year for purposes of calculating the proration of the reduced withholding?

A. No. If an employer files Arizona Form A1-E and does not withhold state withholding from employees in December, the employer should leave pay dates in December out of the calculation of the reduced withholding, so that the employee will have the opportunity to make the full contribution within the calendar year through payroll deduction.

Q. Can employers remit contributions more often than quarterly to the charitable organization?

A. Yes. However, employers must insure that all contributions for each calendar quarter are remitted to the charitable organization within 15 days after the end of each calendar quarter.

Q. What if the employee does not receive a receipt from the charitable organization?

A. Employees should expect to receive a receipt from the charitable organization by the end of April, July, October and January for the previous quarter's contributions. If the employee does not receive a receipt from the charitable organization, the employee should contact the charitable organization directly.

Q. What information is required on the receipt from the charitable organization?

A. The charitable organization is required to include the following information on each receipt issued to donors:

- 1) The name and address of the donor;
- 2) The amount of the donation received;
- 3) The tax year the donation applies to; and
- 4) Any other information specifically required to claim the credit.

Q. What year should the employee claim the credit?

A. The employee is eligible to claim the credit in the calendar year in which the contribution was deducted from their paycheck.

Q. What documents should an employee keep to support the contributions?

A. The employee should keep the following documents:

- 1) A copy of the employee's request to the employer;
- 2) Paystubs, if they show the payroll deduction;
- 3) The Arizona Form A1-C received from the employer in January after the end of the calendar year; and
- 4) Receipts received from the charitable organization after the employer remits the contributions to the charitable organization.

Keep these documents with your tax records in case the credit claimed is the subject of an audit.