

2017 Arizona Annual Payment Withholding Tax Return

For information or help, call one of these numbers:

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. To view or print these, go to our website and click on *Legal Research*, then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

Publications

To view or print the department's publications, go to our website and click on *Publications*.

General Instructions

Why is Form A1-APR Filed?

An employer must withhold Arizona income tax from wages paid for services performed in Arizona, unless those wages are exempt from Arizona income tax withholding. Arizona income tax may also be withheld from pensions and gambling winnings.

The employer must remit the tax withheld to the department, based on the deposit schedule that applies to that employer. Some employers may qualify to make one annual Arizona withholding payment.

An employer that is eligible to file and pay on an annual basis files one Form A1-APR per calendar year. Form A1-APR may be filed electronically or the employer may file a paper Form A1-APR.

If a paper Form A1-APR is filed, use Form A1-APR to transmit federal Form(s) W-2, W-2c, W-2G (with Arizona withholding) and 1099-R (with Arizona withholding).

If Form A1-APR is filed electronically, use Form A1-T to transmit federal Form(s) W-2, Form(s) W-2c, Form W-2 G (with Arizona withholding), and Form(s) 1099-R (with Arizona Withholding).

Form A1-APR may also be used as the written notice that the business is cancelling its withholding registration.

NOTE: For details about other returns and forms that may be required, see the department's procedure WTP 16-2, What Withholding Tax Forms and Returns to File and When to File Them.

Who May File Form A1-APR?

Employers that qualify to use the annual deposit schedule file Form A1-APR.

NOTE: An employer that uses the annual deposit schedule does not file Form A1-QRT or Form A1-R. This employer files Form A1-APR instead.

What withholding payments are reconciled using this form?

All Arizona withholding amounts averaging less than \$200 per quarter are reconciled using this form. Arizona law requires all amounts withheld to be treated as if the withholding was from wages paid to an employee.

NOTE: If you file federal Form 941 to report federal withholding on Arizona wages and federal Form 945 to report federal withholding on Arizona non-wage payments for the same Employer Identification Number (EIN), AND your total Arizona withholding amounts are less than \$200 per quarter, file one A1-APR to report and reconcile your total Arizona withholding for the year. Do not file more than one original A1-APR for the same EIN for the same period.

Who May Use the Annual Deposit Schedule?

NOTE: Only an employer that qualifies to make its withholding payment on an annual basis should use Form A1-APR. If the employer files Form A1-QRT or Form A1-R, do not file Form A1-APR.

For an employer to qualify to make its withholding payment on an annual basis, the employer must have been in business for at least a full calendar year and must have met the following conditions:

- Established a history of withholding by filing quarterly returns for at least the 4 preceding calendar quarters.
- Had a withholding liability of more than zero ("0") for at least 1 of the previous 4 quarters.
- Had average quarterly Arizona tax withholding of \$200 or less in the last 4 quarters. This will be met if the total amount withheld in that period is \$800 or less.
- Timely filed Form A1-QRT and timely paid its Arizona withholding for at least 3 out of the last 4 preceding quarters.
- Filed Form A1-QRT for all preceding quarters.
- Filed the annual reconciliation tax return (Form A1-R) for all prior calendar years.
- Timely filed Form A1-R for the immediately preceding calendar year.
- Paid all amounts due [has no balance due (tax, penalty, or interest) for any prior quarter].

An employer may continue to make its Arizona withholding payments on an annual basis for the succeeding calendar year if all of the following conditions are met:

- The average amount of Arizona income taxes withheld by the employer in the four preceding calendar quarters does not exceed \$200.
- The employer has timely filed the annual payment tax return (Form A1-APR) and has timely made its annual Arizona withholding payment for the preceding calendar year.

If an employer does not meet all of the qualifying conditions to continue making its Arizona withholding payments on an annual basis for the succeeding calendar year:

- That employer must determine its Arizona withholding payment schedule for succeeding calendar quarters according to the Arizona Withholding Liability/Payment Schedule section of Form A1-QRT instructions; and
- That employer shall file quarterly tax returns (Form A1-QRT) for the succeeding calendar quarters.

What is the due date for filing Form A1-APR and for Making the Annual Deposit?

Due Date for Payment and Filing Form A1-APR

Period in Which Wages Paid	Form A1-APR and Payment Due By
January - December	January 31 of the following year
<i>If the due date falls on a Saturday, Sunday, or a legal holiday, the return will be considered timely if filed on the next business day. (See General Tax Ruling [GTR] 16-1, Timely Filing of Income or Withholding Tax Returns Through the United States Mail, or GTR 16-2, Timely Filing of Income or Withholding Tax Return – Holidays and Weekends.)</i>	

Payment of Tax

The entire amount of tax must be paid by the original due date of Form A1-APR. The tax must be paid by this due date even if the employer has been granted an extension of time to file Form A1-APR.

NOTE: *If the due date falls on a Saturday, Sunday, or a legal holiday, the payment will be considered timely if made on the next business day.*

Can you get an extension of time to file Form A1-APR?

You may apply for a 30-day extension of time to file Form A1-APR. When asking for an extension, you must show good cause. You must file the extension request as soon as you know that you need an extension. The extension request must be mailed on or before January 31. For details on how to request an extension, see the department's procedure, WTP 11-1, *Procedure for Requesting Extension of the Filing Deadline for Annual Withholding Tax Returns*.

If you are making a payment with an extension request, you must make that payment with a completed Form A1-WP. Show that the payment is for the 4th Quarter.

Sending Federal Forms W-2, W-2c, W-2G, and 1099-R to the Department

An employer may send Forms W-2, W-2c, W-2G, and 1099-R to the department by attaching paper copies or optical media to Form A1-APR.

If the employer is filing a paper Form A1-APR, it must send federal Forms W-2, W-2c, W-2G, and 1099-R (either paper copies or optical media) to the department included with Form A1-APR.

If the employer is electronically filing Form A1-APR, it must send in federal Forms W-2, W-2c, W-2G, and 1099-R (either paper copies or optical media) with Form A1-T.

Paper copy

Submit a paper copy of each federal Form W-2, W-2c, W-2G, and 1099-R with Form A1-APR.

Optical media

Label the CD-ROM or DVD (CD/DVD) with the employer's name, EIN, calendar year, and Form W-2 or Form 1099 (or both, whichever applies). If the CD/DVD is password protected, note that on the label and indicate the email address from which you will be sending the password to the department. Email the password separately to MediaLibrarian@azdor.gov. Include "Form W-2" or "Form 1099" (or both, whichever applies) in the subject line of the email. In the body of the email, include the same information that is on the CD/DVD label.

The department will not return or copy any media.

Employers submitting the information on CD/DVD should secure the CD/DVD in a hard case and include it with Form A1-APR.

NOTE: *If you filed Form A1-APR electronically, do not include a paper copy of Form A1-APR with the CD/DVD containing optical media. Instead, submit the CD/DVD with Form A1-T.*

For more details on sending in federal forms using optical media, see the department's publication, Pub. 701, *Optical Media Reporting*.

Penalties and Interest

A. Late Filing Penalty

If you file late, we will charge you a late filing penalty. This penalty is 4½% (.045) of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% (.25) of the tax found to be remaining due.

B. Late Payment Penalty

If you pay your tax late, we will charge you a late payment penalty. This penalty is ½ of 1% (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. We charge this penalty from the original due date of the return until the date you pay the tax. This penalty cannot exceed a total of 10% (.10).

NOTE – Amended Return Filers: *For taxable periods beginning after December 31, 2016, if you voluntarily file an amended return and pay the additional tax due when you file your amended return, the department will not assess the late payment penalty. Exceptions are:*

- *The taxpayer is under audit by the department.*
- *The amended return was filed on demand or request by the department.*

NOTE: *If the penalties in both A and B apply, the maximum combined penalty cannot be more than 25%.*

C. Additional Failure to Pay Penalty

We may charge an additional penalty if the amount of tax required to be withheld is not paid by the date set for its payment. This amount may be determined by either the employer or the department. This penalty is 25% (.25) of the amount of tax required to be withheld and paid to the department.

D. Payroll Service Company Penalty

A payroll service company (PSC) **must** make withholding payments electronically. A PSC must also file Form A1-APR electronically. A PSC is subject to a \$25 penalty for each failure to make withholding payments electronically. A PSC is also subject to a \$25 penalty for each failure to file withholding returns electronically. Multiple \$25 penalties could apply to the same client on one return.

E. Interest

We charge interest on any tax not paid by the due date. The Arizona interest rate is the same as the federal rate imposed on individual taxpayers.

Specific Instructions

You may file a paper Form A1-APR, or you may file Form A1-APR electronically. To file Form A1-APR online, the business must be registered to use www.AZTaxes.gov. When filing and paying online, the employer does not have to file a paper return with the department. If you are using a PSC, that company must file your A1-APR electronically.

Part 1 - Taxpayer Information

Name and Address

Enter the employer's name, address, and telephone number in the spaces provided.

If the employer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code.

Do not abbreviate the country's name.

Employer Identification Number (EIN) and Paid Preparer Taxpayer Identification Number (PTIN)

Enter the employer's EIN. If the employer does not have an EIN, it must get one from the Internal Revenue Service.

Paid preparers must provide a TIN. Taxpayers and their paid preparers that fail to include their EIN or TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN,
- The preparer's Social Security Number, or
- The EIN for the business.

Check Boxes:

- **Amended Return**

If this is an amended Form A1-APR, check the "Amended Return" box on page 1 of the form. Explain why you are amending the return in Part 5 on page 2 of the form. Include the corrected copies of Forms W-2, W-2c, W-2 G, and 1099-R with the amended Form A1-APR.

NOTE: An amended Form A1-APR can only be electronically filed through www.AZTaxes.gov by a PSC or by an employer filing through a registered transmitter. All other employers required to file an amended Form A1-APR must file a paper return.

- **Address Change**

If you had an address change since you last filed Form A1-APR, check the "Address Change" box and enter your current address in Part 1.

- **Final Return**

If this is a final return, check the box "Final Return (CANCEL ACCOUNT)." Enter the date final wages were paid. By checking this box, you request the department to cancel your withholding account. Also, complete Part 6 on page 2 of the form.

- **Early-Filed Return**

If you cancelled your withholding account during 2018 and are filing your final return before January 31, 2019, check this box.

- **Cancellation Due to Merger or Acquisition**

If you cancelled your withholding account due to a merger or acquisition and the surviving employer is filing Forms W-2 for the calendar year, check this box.

Part 2 - Arizona Withholding Tax Liability

Line 1 -

Enter the amount of Arizona income tax withheld for the calendar year. Include all amounts withheld, even though you have not yet paid those amounts. The total entered on line 1 should equal the amount entered on line 7.

Part 3 - Tax Payments

Line 2 -

Enter the amount of all payments made for 2017. Do not enter any amount paid with an extension request.

Line 3 -

Enter any payment made with an extension request. If filing with an extension, attach a copy of the extension request to the front of Form A1-APR.

Line 4 -

Add lines 2 and 3. Enter the total.

If you are amending Form A1-APR, add lines 2 and 3 and then subtract any previous amount that was refunded or for which you received a credit.

Line 5 -

If line 1 is more than line 4, subtract line 4 from line 1. Enter the difference.

This is the amount of tax due. You can pay by check, e-check, money order, or credit card. If you owe any penalty or interest, the department will calculate these amounts and mail a billing notice after the return is processed.

If you are filing an amended return and that return shows a balance due, enclose the amount due with the amended return. You may also pay through www.AZtaxes.gov if you are registered. The department will send you a bill for any interest or penalty due once the amended return is processed.

Check or Money Order

Make checks payable to Arizona Department of Revenue. Include the employer's EIN on the front of the check or money order. Include the check or money order with the return.

Internet Payments

Go to www.AZTaxes.gov to register or to make payments over the Internet.

Electronic payment from checking or savings account

Payments can be made electronically from a checking or savings account. Go to www.AZTaxes.gov and choose the e-check option. There is no fee to use this method. This payment method will debit the amount from the specified checking or savings account on the date specified. If an electronic payment is made from a checking or savings account, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Credit card payment

Payments can be made by American Express, Discover, MasterCard, or Visa credit cards. Go to www.AZTaxes.gov and choose the credit card option. This will take you to the website of the credit card payment service provider. The service provider will charge a fee based on the amount of the tax payment. The service provider will disclose the amount of the fee during the transaction and you will be given the option to continue or cancel. If you accept the fee and complete the credit card transaction, a confirmation number will be generated. Please keep this confirmation number as proof of payment.

Line 6 -

If line 4 is more than line 1, subtract line 1 from line 4. Enter the difference.

This is the amount of overpayment. An overpayment will first be applied to any unpaid tax. This may include tax due for another tax type. If the overpayment is more than any unpaid tax, or if the employer does not have an unpaid balance of tax, a refund will be issued. A refund will not be issued once the overpayment is applied to a tax balance.

Part 4 - Federal Form Transmittal Information**Line 7 -**

Enter the total amount of Arizona income tax withheld from wages paid to employees for 2017. This amount must be the same as shown on federal Forms W-2, W-2c, W-2G, and 1099-R.

Line 8 -

Enter the total amount of Arizona wages paid to employees for 2017. This amount must be the same as shown on federal Forms W-2, W-2c, W-2G, and 1099-R.

Line 9 -

Enter the total number of Arizona employees for the calendar year.

Line 10 -

Enter the total number of federal Forms W-2, W-2c, W-2G, and 1099-R submitted with this return.

Part 5 - Amended Form A1-APR

If this is an amended return, please explain why you are amending Form A1-APR.

Part 6 - Final Form A1-APR

If you checked the "Final Return" box on page 1, check the box that explains why this is a final return. If the reason is not provided, check "Other" and enter your own explanation.

Part 7 - Payment and Submission of Return**Filing Form A1-APR**

If filing a paper return, mail Form A1-APR and any required attachments to:

Arizona Department of Revenue
PO Box 29009
Phoenix AZ 85038-9009

For details on how the department normally determines if a return has been filed timely, see the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.

If payment is due, make check payable to:

Arizona Department of Revenue.
Include the taxpayer's EIN on the check.

Who Must Sign Form A1-APR

The following persons are authorized to sign the return for each type of business entity.

- **Sole proprietorship** - The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)** - The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization** - A responsible and duly authorized member, partner, or officer having knowledge of its affairs.
- **Single member LLC treated as a disregarded entity for federal income tax purposes** - The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate** - The fiduciary.

Form A1-APR may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

Paid Preparer Use Only

A paid preparer must sign Form A1-APR and provide the information in the *Paid Preparer Use Only* section, if the preparer was paid to prepare Form A1-APR and isn't an employee of the filing entity. The preparer must give you a copy of the return in addition to the copy to be filed with the department.