

House Engrossed

State of Arizona
House of Representatives
Forty-sixth Legislature
Second Special Session
2003

CHAPTER 1

HOUSE BILL 2001

AN ACT

AMENDING SECTION 43-401, ARIZONA REVISED STATUTES; RELATING TO WITHHOLDING TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-401, Arizona Revised Statutes, is amended to
3 read:

4 43-401. Withholding tax; rates; election by employee

5 A. Every employer at the time of the payment of wages, salary, bonus
6 or other emolument to any employee whose compensation is for services
7 performed within this state shall deduct and retain from the compensation the
8 greater of:

9 ~~1. Notwithstanding section 43-403, subsection A, paragraphs 2, 3 and~~
10 ~~4, five dollars per month or a proportionate rate for any shorter pay period.~~

11 ~~2. an amount equal to a percentage, determined pursuant to subsection~~
12 ~~B of this section, of the total amount of the federal income tax deducted and~~
13 ~~withheld by an employer from the total value of such wages, bonus or other~~
14 ~~emolument of an employee under the provisions of the United States internal~~
15 ~~revenue code computed without deductions for any amount withheld.~~

16 B. The percentage deducted and retained under subsection A of this
17 section shall be:

18 1. If the employee's annual compensation is less than fifteen thousand
19 dollars, 10.0 per cent, 18.2 per cent, 21.3 per cent, 23.3 per cent, 29.4 per
20 cent or 34.4 per cent, at the employee's election pursuant to subsection E
21 of this section.

22 2. If the employee's annual compensation is fifteen thousand dollars
23 or more, 18.2 per cent, 21.3 per cent, 23.3 per cent, 29.4 per cent or 34.4
24 per cent, at the employee's election pursuant to subsection E of this
25 section.

26 3. Zero per cent at the election of an employee who had no state
27 income tax liability in the prior taxable year and expects to have no state
28 income tax liability for the current taxable year.

29 C. If the amount collected and payable by the employer to the
30 department in each of the preceding four calendar quarters did not exceed an
31 average of one thousand five hundred dollars, the amount collected shall be
32 paid to the department on or before April 30, July 31, October 31 and January
33 31 for the preceding calendar quarter. If such amount exceeded one thousand
34 five hundred dollars in each of the preceding four calendar quarters, the
35 employer shall pay to the department the amount the employer deducts and
36 retains pursuant to this section at the same time as the employer is required
37 to make deposits of federal tax pursuant to section 6302 of the internal
38 revenue code. On or before April 30, July 31, October 31 and January 31 each
39 year the employer shall reconcile the amounts payable during the preceding
40 calendar quarter in a manner prescribed by the department. For taxable years
41 or reporting periods that begin from and after December 31, 1997, the
42 department by rule may allow and determine which employers qualify for annual
43 payments of withholding taxes, with an annual report by the employer pursuant
44 to section 43-412, subsection B, if the qualifying employer has established
45 sufficient payment history to indicate that the employer is current and in

1 good standing pursuant to standards established by rule. For any business
2 which has not had a withholding certificate for the four preceding
3 consecutive quarters, the quarterly average shall be computed in a manner
4 prescribed by the department.

5 D. If an employer fails to make a timely monthly payment because prior
6 to that reporting period it reported on a quarterly basis instead of on a
7 monthly basis, the department shall notify the employer that it is out of
8 compliance with this section. Notwithstanding section 42-1125, the
9 department shall not assess a penalty against an employer for failing to make
10 a timely monthly payment if the employer had filed and remitted all taxes due
11 on a quarterly basis and brings all filings and payments into current
12 compliance within thirty days after being notified by the department.

13 E. Each employee shall elect the amount authorized by subsection B of
14 this section to be withheld for application toward the employee's state
15 income tax liability. The election provided under this subsection shall be
16 exercised by each employee, in writing on a form prescribed by the
17 department. The election shall be made within five days of employment. Each
18 employer shall notify the employees of the election made available under this
19 subsection and shall have election forms available at all times. Each form
20 shall be completed in triplicate, with one copy each for the department, the
21 employer and the employee. The employer shall file a copy of each completed
22 form with the department. Any employee failing to complete an election form
23 as prescribed shall be deemed to have elected the smallest applicable
24 withholding percentage.

25 Sec. 2. Emergency

26 This act is an emergency measure that is necessary to preserve the
27 public peace, health or safety and is operative immediately as provided by
28 law.

APPROVED BY THE GOVERNOR OCTOBER 23, 2003.

FILED IN THE OFFICE OF THE SECRETARY OF STATE OCTOBER 24, 2003.

Second Special Session

Passed the House October 20, 2003,

Passed the Senate October 23, 2003

by the following vote: 60 Ayes,

by the following vote: 28 Ayes,

0 Nays, 0 Not Voting
with emergency
Jake Flake
Speaker of the House
Norman L. Moore
Chief Clerk of the House

0 Nays, 2 Not Voting
with Emergency
Ken Bennett
President of the Senate
Charmian Billington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this
23 day of October, 2003

at 11:53 o'clock A M.

Sandra Ramirez
Secretary to the Governor

Approved this 23 day of

October, 2003,

at 5:45 o'clock P. M.

Jan Nagel
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this 24 day of Oct, 2003,

at 3:15 o'clock P. M.

Janice Brewer
Secretary of State