

NOTES

A.R.S. 43-401 – Arizona Charitable Withholding Election

At an employee's written request, the employer may agree to reduce the amount withheld under this section by the amount of credit that the employee represents to the employer that the employee will qualify for and be entitled to under sections 43-1088, 43-1089 and 43-1089.01. The employee's request must include the name and address of the qualifying charitable organization, qualified school tuition organization or public school. Within thirty days after agreeing to the employee's request, the employer shall reduce the withholding amount by the amount of the credit, but not below zero, prorated for the number of pay periods remaining in the employee's taxable year after the employee makes the request. If an employer agrees to reduce the withholding amount pursuant to this subsection, the following apply:

1. Within fifteen days after the end of each calendar quarter, the employer must pay the entire amount of the reduction in withholding tax for that quarter to the designated charitable organization, school tuition organization or public school. These payments are considered to be on the employee's behalf, and not the employer's, for the purposes of qualifying for the income tax credits under sections 43-1088, 43-1089 and 43-1089.01.
2. The employee is responsible and accountable for the accuracy and the amount of reduction in withholding tax and the payments to the charitable organization, school tuition organization or public school.
3. The employer is responsible and accountable to the charitable organization, school tuition organization or public school, to the employee and to the department for actually making the required payments.
4. Within thirty days after the end of each calendar year, or within fifteen days after the termination of employment, the employer must furnish to each electing employee and to the department a statement of the amount withheld and paid on behalf of the employee during that year.

Requirements for Participating Employers

Quarterly: You are required by law to make payments to the charitable organization (APESF) on behalf of the employee.

Annually: You will use the Arizona Form A1-C, Arizona Charitable Withholding Statement, to report payments made to charitable organizations to the employee and to the AZ Department of Revenue. This statement must be sent to the employee and filed with ADOR by January 30th of the year following the calendar year in which donations were withheld, or within 15 days of termination of an employee whose withholding was reduced. The Arizona Form A1-C and its instructions can be found at <http://www.azdor.gov/forms/withholding.aspx>.

This process does not change your responsibility to file the Arizona Form A1-QRT quarterly to report Arizona withholding. Also, employers that file Form A1-C still file either Form A1-APR, Arizona Annual Payment Withholding Tax Return, or Form A1-R, Arizona Withholding Reconciliation Return, to reconcile their payments and transmit federal Forms W-2, W-2c, W-2G, and/or 1099-R, if those forms include Arizona withholding.