

## Net Profits vs Withholding Accounts – What is the difference between Net Profit tax and payroll withholding tax?

### **Withholding**

Tax withheld from income earned in a municipality by employees of a business, or tax withheld for an employee's resident municipality, is considered the withholding tax. The payroll withholding tax is reported either monthly or quarterly based on the amount of tax being reported. By the last day of February of the following year, the business must remit a completed Reconciliation form and copies of W2 forms for the prior year. Waverly Tax rate is 1%. Employers have a legal duty to withhold and remit income tax to Waverly in which their employees work.

### **Net Profit Tax**

The Net Profit tax is also a municipal income tax. This is the tax on the income earned by the business located or working in Waverly. This tax is reported annually on our annual tax form. In addition to filing this form, the business is required to make quarterly estimated tax payments. The first one is due on or before the 15<sup>th</sup> day of the fourth month after the beginning of each fiscal period. The remaining quarters are due on or before the 15<sup>th</sup> day of the sixth, ninth and twelfth month after the beginning of each fiscal period. For a company with a December 31<sup>st</sup> year end, the estimated payments are due 4/15, 6/16, 9/15 and 12/15,