

**NET PROFIT LICENSE TAX RETURN
FORM NET PROFITS**

GENERAL INSTRUCTIONS

The following instructions are provided to aid the taxpayer in the completion of the Net Profit License Tax Return. They are not intended to be all-inclusive and therefore should be used only as a supplement to the existing ordinances and regulations. If you have any questions that are not addressed in these instructions please refer to the Occupational License Fee Ordinance 04-04.

WHO MUST FILE NET PROFITS FORM:

Each separate corporation, limited liability company, business development corporation, partnership, limited partnership, registered limited liability partnership, sole proprietorship, association, joint stock company, receivership, trust, professional service organization, or other legal entity engaged in a business with 1) business activity in Union County and 2) business nexus in Union County sufficient to justify the imposition of the license tax.

YOU MUST FILE NET PROFITS FORM EVEN IF:

-Your business activity resulted in a loss for the tax year. Complete Net Profits Form according to the instructions provided, sign the tax form and return to the Union County Occupational Tax Office. -You were not actively engaged in business during the year but do intend to resume operations at a future date. Check the box marked "No activity" on Tax Form, sign the form and return it. -Your business activity ceased prior to the beginning of the tax year but you have not provided written notification that operations ceased. Indicate "No activity" and "Final Return" on Form Net Profits, complete question E, sign the form and return it. -Your business was operational for a portion of the tax year but ceased operation prior to the completion of the fiscal year.

Complete Tax Form according to the instructions provided and indicate "Final Return" on the form, complete question E, sign and return it.

-You filled out an application to do business within the county with the intention of starting a business but never transacted business within Union County and do not intend to do so in the future. Indicate "No activity" and "Final Return" on Tax Form, complete question E, sign the tax form and return it.

DUE DATE

Calendar or Fiscal Year-end: The Net Profit License Tax Return must be filed and all taxes paid on or before the fifteenth day of the fourth month after the close of the fiscal/calendar year.

**TAX COMPUTATION INDIVIDUAL,
PARTNERSHIP, CORPORATION**

- Line 1:** Enter the amount of non-employee compensation reported on Federal Form 1099 or the amount of other income per Form 1040. **Note:** Line 1 should only be completed by individuals who received payments for services who are **not** claiming business expenses and did not own or operate a business during the year. (**Attach** a copy of Federal Form 1040, page 1 and Form 1099, if applicable.)
- Line 2:** Enter the net profit as shown on Federal Schedule C, C-EZ, E, F, OR 4835. Enter the loss amount for each schedule on which a loss was incurred. (**Attach** a copy of page 1 and 2 of the Federal Schedule(s) C, C-EZ, E, F, or 4835). **Note:** Rental income should be reported on line 2.
- Line 3:** Enter 100% of the short term capital gains and long term capital gains carried over from Federal Form 4797 or Federal Form 6252 (installment sales) to Federal Schedule D representing gain from the sale of property used in the trade or business. (**Attach** a copy of Form 4797, pages 1 and 2, or Form 6252.)
- Line 4:** Enter the net gain or (loss) from the sale of property used in the trade or business per Federal Form 4797. (**Attach** a copy of Federal Form 4797, pages 1 and 2.) **Line 5:** Enter the ordinary income or (loss) per Federal Form 1065. (**Attach** a copy of Federal Form 1065, pages 1, 2 and 3, Schedule K, Schedule of Other Deductions, and Rental Schedule(s) if applicable.)
- Line 6:** Enter the taxable income or loss **after** special deductions and net operating loss per Federal Form 1120 or 1120A or the ordinary income or loss per Federal Form 1120S. (**Attach** a copy of Federal Form 1120 or 1120A, pages 1 and 2 or Federal Form 1120S, Pages 1, 2 and 3, Schedule of Other Deductions, and Rental Schedule(s) if applicable.)
- Line 7:** Enter any deduction taken for state or local taxes (based on income) or license fees (based on income), by an individual on Federal Schedule C, E or F, by a partnership on Form 1065, or by a corporation on Form 1120, 1120A, or 1120S.
- Line 8:** Enter the total of income items listed below which are allocated to the partners or shareholders and are not included as income on Federal Form 1065 or 1120S. (**Attach** a copy of Schedule K, and Rental Schedule(s), if applicable).
- | | |
|---|---|
| Net income from rental real estate activities | Net short-term capital gain |
| Net income from other rental activities | Net long term capital gain |
| Portfolio Income | Other portfolio income |
| Interest income | Guaranteed payments to partners |
| Dividend income | Net gain under Sec 1231 (other than due to casualty or theft) |
| Royalty income | |

Line 9: Enter the amount of any net operating loss, if taken as a deduction on Federal Form 1120.

Line 10: Enter the total of Lines 1 through 9, as applicable.

Line 11: Enter the total of the items listed below which are allocated to the partners or shareholders which are not included as losses or expenses on Federal Form 1065 or Form 1120S, as they are allowed as deductions for occupational tax purposes. (**Attach** a copy of Schedule K and Rental Schedule(s), if applicable).

Net loss from rental real estate activities	Net loss under Sec 1231 (other than due to casualty loss or theft)
Net loss from other rental activities	Charitable contributions
Portfolio loss	Expense deductions for recovery property (Section 179)
Net short-term capital loss	Deductions related to portfolio income
Net long-term capital loss	

Note: Contributions made to any Retirement Plans and/or Medical Insurance Premiums paid on behalf of partners or shareholders are not deductible on the Net Profits tax form.

Line 12: Follow the instructions below for computing the alcoholic beverage deductions and attach a copy of the computation sheet to the tax form. Kentucky alcoholic beverage sales divided by total sales equals the alcoholic beverage percentage. A deduction may be taken only if the business engaged in the selling of alcoholic beverages had a profit.

- Individuals Multiply the alcoholic beverage percentage by the net profit of the business engaged in the sale of alcoholic beverages as reported on Line 2.
- Partnerships Multiply the alcoholic beverage percentage by Line 10, minus the sum of Lines 11, 13 and 14.
- Corporations Multiply the alcoholic beverage percentage by Line 10, minus the sum of Lines 11, 13 and 14.

Line 13: If a deduction was taken for any other amount that is deemed to be not deductible then enter that amount here (**Attach** a full explanation, including amounts, of all items).

Line 14: Enter the amount of professional expenses incurred by the partners that were NOT reimbursed by the partnership. (**Attach** a schedule listing partners name(s), the type of deduction and the amount of each deduction.)

Line 15: Enter the total of Lines 11 through 14.

Line 16: Subtract Line 15 from line 10. This entry represents your "Adjusted Net Profit" which is also entered on Line 21.

WORKSHEET Y BUSINESS APPORTIONMENT

Line 17-20 -Must be completed by all licensees with sales revenue and/or payroll both within and without Union County.

Completion of the schedule allocated to Union County the proportionate part of the Licensee's total business activity attributable to Union County. Percentages are to be carried to five (5) decimal places. If one of the factors (payroll or sales revenue factor) is missing, the remaining factor is the average allocation percentage and is carried to Page 1, Line 22 of the Net Profits Form.

-If your business is conducted entirely within Union County then this section should NOT be completed. Instead, enter 100% on Page 1, Line 22 of the Net Profits Form.

Line 21: Enter the Adjusted Net Profit from Line 16

Line 22: Enter the Business Apportionment from Worksheet Y, Line 19 or 20.

Line 23: Multiply Line 21 by Line 22. Enter the result on Line 23.

Line 24: Multiply Line 23 by one half percent (.50%). Enter the result on Line 24.

Line 25: -Subtract any estimated payments that had previously been made toward this year filing. **Estimates** or tentative payments can be made at any time during the fiscal year. These amounts will be applied to the current year liability with any overpayment carried forward as a credit or refunded as indicated by the licensee.

Line 26: Deduct Line 25 from Line 24. Enter the result on Line 26.

Line 27: There is a net profit maximum payment of \$1000.00. Pay the smaller of the two amounts on line 26 or 27. If filing the \$1000.00 sign the tax form, and no federal forms are required.

Line 28: If the license tax due is not paid by the due date of the return then penalty is assessed at the rate of five (5%) percent for each calendar month or fraction of calendar month the license tax remains unpaid. This penalty is to be assessed on the first day after the due date and on the first day of each succeeding calendar month until the license tax is paid. If an extension has been granted the due date is extended based on the extension. If the license tax is not paid by the extension due date, penalty will be calculated back to the original due date of the return. The maximum penalty due is twenty-five (25%) percent of the license tax due and the minimum penalty is \$25.00, even if the tax due is \$0.00. Multiply the license tax due on Line 26 or 27 by the appropriate percentage. Enter the result, but not less than \$25.00, on Line 28.

Line 29: If the license tax due is not paid by the original due date of the return and estimated payments have not been made to cover the amount due on the return, then interest is assessed at the rate of twelve (12) percent per annum. Multiply the license tax due on Line 26 or 27 by the appropriate percentage. Enter the result on Line 29.

Line 30: Add Lines 26 through 29. If the balance is a positive number then enter the balance due on Line 30. **Pay this amount.** If the balance is negative go to Line 31.

Line 31: If Line 30 is a negative number enter the overpayment on Line 31. You **must** indicate if you desire to have the overpayment refunded or applied to future returns as a credit.

Note: The period of limitation for refund of license taxes is two (2) years.