



MCCRACKEN COUNTY NET PROFIT LICENSE TAX RETURN
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.

WHO MUST FILE:

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 McCracken County and 2) business nexus in the County sufficient to justify the imposition of the license tax.

YOU MUST FILE EVEN IF:

- Your business activity resulted in a loss for the tax year. Complete the Form according to the instructions provided, sign the form and return to the 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 the 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 the Form, complete question C, 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 the Form according to the instructions provided and indicate "Final Return" on the form, complete question C, 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 McCracken County and do not intend to do so in the future. Indicate "No activity" and "Final Return" on the Form, complete question C, sign the form and return it.

DUE DATE

Calendar or Fiscal Year-end: The Net Profit License Tax Return Form 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 or within 105 days of the end of the fiscal 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.
Line 2: Enter the net profit as shown on Federal Schedule C, C-EZ, E and/or F. Enter \$0.00 for each schedule on which a loss was incurred.
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.
Line 4: Enter the net gain or (loss) from the sale of property used in the trade or business per Federal Form 4797.
Line 5: Enter the ordinary income or (loss) per Federal Form 1065.
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.
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.
Net income from rental real estate activities
Net income from other rental activities
Portfolio Income
Interest income
Dividend income
Royalty income
Net short-term capital gain
Net long term capital gain
Other portfolio income
Guaranteed payments to partners
Net gain under Sec 1231 (other than due to casualty or theft)
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 from other rental activities

Portfolio loss

Net short-term capital loss

Net long-term capital loss

Net loss under Sec 1231 (other than due to casualty loss or theft)

Charitable contributions

Expense deductions for recovery property (Section 179)

Deductions related to portfolio income

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 Profit Form.

Line 12: 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.) **Note:** See Section 3, article 5 of county tax ordinance for reference.

Line 13: 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 14: Enter the total of Lines 11 through 13.

Line 15: Subtract Line 14 from line 10. This entry represents your "Adjusted Net Profit" which is also entered on Line 20.

WORKSHEET Y

BUSINESS APPORTIONMENT Line 16- 19 - Must be completed by all licensees with sales revenue and/or payroll both within and without McCracken County. Completion of the schedule allocates to McCracken County the proportionate part of the licensee's total business activity attributable to McCracken 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 20 of the Net Profit Form.

If your business is conducted entirely within McCracken County then this section should not be completed. Instead, enter 100% on Page 1, Line 20 of the Net Profit Form.

If the apportionment provisions of this section do not fairly represent the extent of the business entity's activity in the county, the business entity may petition the county or the county may require, in respect to all or any part of the business entity's business activity, if reasonable: (a) Separate accounting (b) The exclusion of any one (1) or more of the factors (c) The inclusion of one (1) or more additional factors which will fairly represent the business entity's business activity in the county; or (d) The employment of any other method to effectuate an equitable allocation and apportionment of net profit.)

Line 20: Enter the Adjusted Net Profit from Line 15 **Line 21:** Enter the Business Apportionment from Worksheet Y, Line 18 or 19. **Line 22:** Multiply Line 20 by Line 21. Enter the result on Line 22. **Line 23:** Multiply Line 22 by one percent (1%). Enter the result on Line 23. **Line 24:** Subtract any estimated payments that had previously been made toward this year filing.

Line 25: Subtract any license fees that were made to The City of Paducah. Amounts paid to cities within the county are non-refundable by the county, if this creates a credit balance. Only the License Fee payment can be deducted. Any fees paid for late filing cannot be deducted as part of the License Fee.

Line 26: Deduct Lines 24 and 25 from Line 23. Enter the result on Line 26.

Line 27: 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. The business entity, on or before the due date prescribed for payment of the occupational license tax, must request an extension and pay the amount properly estimated as its tax. If full payment of license tax due 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 by the appropriate percentage. Enter the result, but not less than \$25.00, on Line 27.

Line 28: 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 by the appropriate percentage. Enter the result on Line 28.

Line 29: Add Lines 26 through 28. If the balance is a positive number then enter the balance due on Line 29. **Pay this amount.** If the balance is negative go to Line 30.

Line 30: All overpayments will be refunded.

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