

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 ordinance and regulations. If you have any questions that are not addressed in these instructions please refer to the Occupational License Fee Ordinance 0-05-01-10-1

Who must file a Net Profit 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 within Garrard County and a nexus in Garrard County.

You must file a Net Profit Form Even if:

- Your business activity resulted in a loss for the tax year. Complete Net Profit Form according to the instructions provided, sign the form and return to the Garrard 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 box marked "No activity" on Net Profit 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 Net Profit Form, 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 Net Profit form according to the instructions provided and indicates "Final Return" on the form, complete question E, and sign and returns it.
- You filled out an application to do business within the county with the intention of starting a business but never transacted business within Garrard County and do not intend to do so in the future. Indicate "No activity and "Final Return" on Net Profit Return complete question E, sign the form and return it.

Tax Computation for work sheet
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, and/or F. **Enter \$0.00 for each schedule on which a loss was incurred.** (Attach a copy of page 1,2, of the Federal Schedule(s)C, C-EZ, E, and/or F).

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, page 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 Deduction, and Rental Schedule(s) if applicable.)

Line 6: Enter the taxable income or loss **after** special deduction 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 and individual on Federal Schedule C, E, or F by a partnership or Form 1065, or by a corporation on Form 1120, 1120A or 1120A or 1120S.

Line 8: Enter the total of income items listed below which are allocated to the partners or shareholder and

are not including an 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 of partners
Dividend income	Net gain under sec 1232 (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 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 Net Profit Return.

Line 12: Follow the instruction on **Section C** for computing the alcoholic beverage deduction and attach a copy of the computation sheet to the tax form.

Line 13: if a deduction was taken for any other amount that is deemed to be not deductible then enter that amount (attach a full explanation including amounts of all items)

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

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

Line 16: Subtract line 15 from 10. This entry represents your "Adjusted Net Profit" which is also entered on line 1 of Net Profit Return.

INSTRUCTION FOR ANNUAL LICENSE FEE RETURN

Line 1: Enter the Adjusted Net Profit from line 16.of work sheet

Line 2: Enter the Business Apportionment for Section B

Line 3: Multiply line 1 by line 2 Enter the result on line 3

Line 4: Multiply line 3 by one percent (1.50 %) or enter **\$ 25.00** which ever is greater. Enter on Line 4

Line 5: Enter Estimated payments and credits. Enter on line 5

Line 6: Subtract Line 5 from line 4 Enter amount on line 6

Line 7: If the license tax is not paid by 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 and 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 due on line 6 by the appropriate percentage. Enter the result, but not less than \$25.00, on line 7

Line 8: 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 6 by the appropriate percentage, enter on line 8.

Line 9: **Enter the amount withheld from employees if not reported quarter.**

Line 10: Enter total amount due

Line 11: If line 10 is a negative number enter the overpayment on line 11. Please send written request for of overpayment claims. The period of limitation for refund of license taxes is two (2) years.