

OHIO COUNTY, KENTUCKY
NET PROFITS LICENSE FEE RETURN - FORM NP 1

GENERAL INSTRUCTIONS

The following instructions are provided to aid the taxpayer in the completion of Form NP1, Net Profits License Fee Return form. They are not intended to be all-inclusive and therefore should be used only as a supplement to the existing ordinance. If you have any questions that are not addressed in these instructions please refer to the Occupational License Tax Ordinance 2009-2 at www.ohiocounty.ky.gov.

WHO MUST FILE FORM NP1

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

YOU MUST FILE FORM NP1 EVEN IF:

- Your business activity resulted in a loss for the tax year. Complete Form NP1 according to the instructions provided, sign the form and return it to the Ohio 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 Form NP1, 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 NP1, 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 Form NP1 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 Ohio County and do not intend to do so in the future. Indicate “No activity” and “Final Return” on Form NP1, complete question E, sign the form and return it.

DUE DATE

Calendar or Fiscal Year-end: The Form NP1, Net Profits License Fee 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.

Reminder:

Funds received from the state as a share of the tobacco settlement funds to be paid to farmers are exempt from inclusion in net profits.

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 and /or F. Enter \$0.00 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 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, 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 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.

- 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).

Line 13: Enter the amount of professional expenses incurred by the partners that were NOT reimbursed by the partnership. (**Attach** a schedule listing partners' names(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

Lines 16 - 19

- Must be completed by all licensees with sales revenue and/or payroll both within and without Ohio County. Completion of the schedule allocates to Ohio County the proportionate part of the licensee's total business activity attributable to Ohio County. Percentages are to be carried to five (5) decimal places. If one of the factors (payroll or sales revenue) is missing, the remaining factor is the average allocation percentage and is carried to Page 1, Line 21 of Form NP1.
- If your business is conducted entirely within Ohio County then this section should **not** be completed. Instead, enter 100% on Page 1, Line 21 of Form NP1.
- 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 (1%). Enter the result on Line 23.

Line 24: 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. Effective for tax years commencing on or after January 1, 2009 licensees with a license tax liability that exceeds \$5,000.00 are required to submit quarterly estimated payments.

Line 25: Deduct Line 24 from Line 23. Enter result on Line 25. If Return was filed timely and the total on Line 25 is less than \$10.00 no tax is due on the net profit. (Maximum payment \$10,000.00 unless penalty & interest apply) Go to Line 28.

Line 26: If your Return is filed timely, skip Line 26. A "timely filed Return" is one that is postmarked by the due date including **Approved Extensions** (See **"Extensions"** below). Otherwise, calculation should be made on a monthly basis. A fraction of a month is counted as an entire month. 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 25 by the appropriate percentage. Enter the result, but not less than \$25.00, on Line 26.

Line 27: If the license tax due is paid by the original due date, skip Line 27. 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 25 by the appropriate percentage. Enter the result on Line 27. (Formula for calculation: Line 25 x 1% x number of months late)

EXTENSIONS: A **SIX MONTH** EXTENSION of time for filing a Return will be granted IF a written request is submitted AND the amount of properly estimated tax is paid on or before the **original due date**. To request an extension of time RETURN THE 'EXTENSION COUPON' FOUND AT THE BOTTOM OF THE LICENSEE'S FORM NP1, ALONG WITH A COPY OF THE FEDERAL EXTENSION or A COPY OF THE FEDERAL EXTENSION ONLY MAY BE USED FOR THE WRITTEN REQUEST, PROVIDED THAT THE LICENSEE'S LOCAL ACCOUNT NUMBER IS PLAINLY NOTED THEREON. This is only an extension for filing your Return and is not an extension of time to pay the tax. Interest will be assessed on tax paid after the original due date. Penalty may be assessed unless a good faith estimate has been paid and the final license fee and interest is paid with the filing of the Return.

Line 28: Enter 1% of **"Farm Labor hired"** from Federal Schedule F, unless (a) 1% of the gross was withheld by the farmer and remitted quarterly, or (b) the amount paid was reported by the farmer on the Summary and Transmittal of Non-Employee Earnings form. (\$10.00 exemption does not apply to Farm Labor)

Line 29: Add Lines 25 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 31.

Line 30: If Line 29 is a positive balance greater than \$5,000.00, minimum quarterly payments should have been made to this account. Interest is assessed at the rate of twelve percent (12%) per annum simple interest on the amount of the quarterly payments required from the earlier of:

(a) The due date for the quarterly payment until the time when the aggregate quarterly payments submitted for the taxable year equal the minimum aggregate payments due or

(b) The due date of the annual return. A fraction of a month is counted as an entire month.

If Line 29 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. Refunds for less than \$50.00 will only be given if this is a final return with no future activity expected within the county. Balances of less than \$50.00 will be credited toward future returns. **Note:** The period of limitation for refund of license taxes is two (2) years.

Line 31:

In order for your return to be processed properly you must:

- File using the provided Form NP1, Net Profits License Fee Return form
- Complete the Worksheet on the reverse of Form NP1, Net Profits License Fee Return form.
- Enter or verify the account number assigned to your business by this office.
- Enter or verify the year for which the return is filed.
- Enter the federal identification number or social security number under which your federal tax return was filed.
- Clearly indicate or verify the name and address of the business and note any changes.
- Sign and date the return.
- Attach copies of the **appropriate federal tax forms and all supporting documentation**.

All questions must be answered fully. If the question does not apply to your business indicate "NA".