

INSTRUCTIONS FOR NET PROFIT LICENSE FEE RETURN

GENERAL INSTRUCTIONS

The following instructions are provided to aid the taxpayer in the completion of the Net Profit License Fee Return. They are not intended to be all-inclusive and 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 Spencer County Occupational License Fee Ordinance.

WHO MUST FILE THE NET PROFIT LICENSE FEE RETURN:

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

YOU MUST FILE A NET PROFIT LICENSE FEE RETURN EVEN IF:

- Your business activity resulted in a loss for the tax year. Complete Net Profit License Fee Return according to the instructions provided, sign the form and return to the Spencer 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 Net Profit License Fee Return, 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 License Fee Return, 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 License Fee Return 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 Spencer County and do not intend to do so in the future. Indicate "No activity" and "Final Return" on Net Profit License Fee Return, complete question E, sign the form and return it.

DUE DATE

Calendar or Fiscal Year-end: The Net Profit License Fee Return, 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 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). **Note:** Any rental income from property located in Spencer County 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.). A net (loss) cannot be deducted on the Net Profit form. It must be entered as a positive number.
- 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. This is not deductible, it must be added back in.

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. This is not deductible, it must be added back in.

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 123 1 (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 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).

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 Spencer County. Completion of the schedule allocates to Spencer County the proportionate part of the licensee's total business activity attributable to Spencer County. Percentages are to be carried to two (2) 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 Net Profit License Fee Return.

- If your business is conducted entirely within Spencer County then this section should *not* be completed. Instead, enter 100% on Page 1, Line 21 of Net Profit License Fee Return.
- 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 anyone (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. 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.

- Subtract only the Spencer County business license fee. Amounts paid to cities within the county are nondeductible and non-refundable by the county. Only the County License Fee payment can be deducted. Any fees paid for late filing cannot be deducted as part of the License Fee.

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

Line 26: 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 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 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.

Line 28: Add Lines 25 through 27. If the balance is a positive number, pay this amount.

Line 29: If Line 28 is a negative number enter the overpayment on Line 29. You must indicate if you desire to have the overpayment refunded or applied to future returns as a credit. Refunds for less than \$100.00 will only be given if this is a final return with no future activity expected within the county. Balances of less than \$100.00 will be credited toward future returns. Note: The period of limitation for refund of license taxes is two (2) years.