

Instructions for Completing Rowan County Net Profits License Fee Return (FIN04)

NOTE: Rowan County does not allow individuals operating multiple businesses to report each trade or business on the same return. You must hold a license for each business in the County. Ordinance at:

<https://www.rcky.us/occupational-tax>

This is a formal tax document and must be completed in its entirety. You must provide supporting documentation and schedules on information reported on this form. Returns will be returned as incomplete if supporting documentation cannot verify taxpayer's information provided on this form.

Worksheet A

Line 1: Individuals. Enter the amount of non-employee compensation reported on Federal Form 1099-MISC and reported as other income on Form 1040.

NOTE: Line 1 should only be completed by individuals who received payments for contract services who are not claiming business expenses. If you are claiming business expenses, those amounts should be reported on Line 2. (attach a copy of Federal Form 1040).

Line 2: Individuals. Enter the net profit or (loss) per Federal Schedule C or C-EZ.

Line 3: Individuals. Enter 100 percent (100%) of the short term and long-term capital gains or losses from Federal Forms 4797, 6252 (installment sales), or 8949 to Federal Schedule D if they represent gain or loss from the sale of property used in the trade or business.

Individuals. Enter the ordinary gain or (loss) on the sale of property used in a trade or business per Federal Form 4797 (attach Federal schedules).

NOTE: Individuals must include in net profits any capital gain arising from the sale of any real property included in the licensee's business of renting real property. An individual's or fiduciary's real property is presumed to be included in the licensee's business of renting property if the licensee met the "business activity" test, referenced above, in the current or previous tax year.

Line 4: Individuals. Enter the total rental real estate and royalty net income (or loss) from Federal Form 1040, Schedule E, prior to any loss limitations imposed by federal tax law.

Line 5: Partnerships. Enter the taxable ordinary income (loss) per Federal Form 1065, Schedule K, lines 1 – 12. (Attach Form 1065 and applicable schedules.)

Line 6: Corporations. Enter the taxable income or (loss) per Federal Form 1120 or ordinary income or loss per Federal Form 1120S.

Line 7: All business entities. If a deduction is taken for state or local taxes (based on income) or license fees (based on income), regardless of tax district, by an individual on federal Schedule C, C-EZ, or E or on Federal Form 1120, 1120S or 1065, the amount of those taxes or license fees should be entered on Line 7.

Line 8: Partnerships and S Corporations. The following income items reported on Federal Schedule K must be added to ordinary income.

- Net income from rental real estate activities

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- Net long-term capital gain
- Net income from other rental activities
- Other portfolio income
- Interest and dividend income
- Guaranteed payments to partners
- Royalty income
- Net gain under Sec 1231 (other than due to casualty or theft)
- Net short-term capital gain
- Other income items per Schedule K

Enter the total of these items on Line 8.

Line 9: C Corporations. If a deduction is taken on Federal Form 1120 for a net operating loss, the amount of the net operating loss should be entered on Line 9.

Line 10: All business entities. Total Taxable Income. Add Lines 1 through Line 9.

Line 11: Partnerships and S Corporations. The following losses are reported on Federal Schedule K and may be deducted from ordinary income.

- Net loss from rental real estate activities
- Net long-term capital loss
- Net loss from other rental activities
- Sec 179 expense
- Net loss under Sec 1231 (other than due to casualty loss or theft)
- Portfolio loss
- Net short-term capital loss
- Deductions related to portfolio income
- Charitable contributions
- Other allowable deductions per Schedule K (attach schedule)

Enter the total of these items on Line 11 (attach a copy of Schedule K, and rental schedule(s), if applicable).

NOTE: For some tax districts, contributions to KEOGH plans, Simplified Employer Pension plans, and medical insurance premiums - whether paid by, or on behalf of, partners, shareholders or individual owners - are not deductible in computing net profits subject to occupational fee. Rowan County will use the guidelines of § 3.4 (Occupational License Tax Payment Required).

Line 12: Enter other adjustments not included elsewhere on the Return. Attach a full explanation, including amounts, of all items. Examples: allowable expenses for which the licensee elected to take a credit against its federal income tax liability in lieu of a federal tax deduction; income which has been previously taxed in the taxing district; professional expenses not reimbursed by a partnership.

Line 13: Partnerships. Professional expenses not reimbursed by a partnership. Must provide a Schedule of Expenses and explanation.

Line 14: Total Deductions – Add Line 11 through Line 13.

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Line 15: Adjusted Net Profit – Subtract Line 14 from Line 10. Enter this amount on Line 20 on Page 1 of this form.

Worksheet B - Apportionment Factors

A taxpayer whose business activities were conducted in more than one tax district must complete this section. If business is conducted entirely within Rowan County, it is not necessary to complete Worksheet B. Instead, enter 100% on Page 1, Line 21.

Line 16: Payroll Factor

Column A: Enter the total compensation paid or payable to employees for work done or services performed or rendered in the tax district during the tax period. [Do not include payments to independent contractors.]

Column B: Enter the total compensation paid or payable to employees for work done or services performed or rendered in all business locations during the tax period. [Do not include payments to independent contractors.]

"Compensation" means wages, salaries, commissions, or any other form of remuneration paid or payable by an employer for services performed by an employee, which are required to be reported for federal income tax purposes, increased by (a) amounts contributed by an employee to any retirement, profit sharing, or deferred compensation plan, and (b) amounts contributed by an employee to any welfare benefit, fringe benefit, or other benefit plan made by salary reduction. (Sections 125 and 132 plans.) [KRS 67.750(2)]

Column C: Divide Column A by Column B. Carry out to five (5) decimal places.

Line 17: Sales Revenue Factor

Column A: Enter the total gross receipts from the sale, lease, or rental of goods, services, or property of the business entity in the tax jurisdiction during the period.

Column B: Enter the total gross receipts from the sale, lease, or rental of goods, services, or property from all sources during the period covered by this return.

Column C: Divide Column A by Column B. Carry out to five (5) decimal places.

Line 18: Total percentages. Add Column C for both Payroll and Sales Revenue Factor(s).

If either of Column C (Payroll/Revenue) is zero, enter the amount from Line 18 on Line 21 on the front of this form. Do not divide by 2.

Line 19: Apportionment Percentage:

If both Column C of both Payroll and Sales Revenue are greater than zero, divide the entry on Line 18 by two (2). This percentage should be carried out to five (5) decimal places. Enter the result on Page 1, Line 21 of this form.