

CITY OF ELIZABETHTOWN, KY  
INSTRUCTIONS TO COMPLETE NET PROFITS LICENSE FEE  
RETURN

*The following instructions are provided to aid the license fee payer in the completion of the Net Profits License Fee Return. These instructions are not intended to be all inclusive and therefore should be used only as a supplement to the existing Occupational License Fee Ordinance No. 09-2006. For more information, please visit our website at [www.elizabethtownky.org](http://www.elizabethtownky.org) (Under Downloads, open the Local Business Tax Forms Folder) or call 270-765-6121.*

**WHO MUST FILE THE NET PROFITS LICENSE FEE RETURN:**

Corporations, partnerships, sole proprietors, or other entities engaged in a business activity in the City of Elizabethtown. The absence of a physical location in the City of Elizabethtown does not exempt an entity from the license fee. There is no minimum income amount which should be earned before you are liable for filing a tax return.

RENTAL INCOME - COMMERCIAL - All revenue/gross receipts from the rental or lease of any commercial property for all forms of ownership are subject to the license fee.

RENTAL INCOME – RESIDENTIAL - All revenue/gross receipts from the rental or lease of any residential rental property is subject to the license fee for all forms of ownership, except for an individual or single member LLC who owns four (4) or less residential rental housing units; they are considered to be a “casual landlord” and are exempt from the ordinance. Once an individual or single member LLC owns five (5) or more residential rental housing units inside the City limits, they are presumed to be operating a business and are subject to the ordinance. A housing unit is defined as a single living quarters (duplex = 2, apartment unit = 1).

The sale of agricultural products by the owner of *locally homegrown* agriculture products is not subject to the license fee.

You must file the Net Profits License Fee Return even if your business activity resulted in a loss for the tax year.

If you did not conduct any business during the tax year in the City of Elizabethtown, complete the form as prescribed below and indicate zero dollars (\$0) of gross receipts and/or payroll in Schedule C so that the allocation factor is zero percent (0%) and therefore no license fee will be due.

**ATTACHMENTS:**

A copy of the federal income tax return must be attached to all Net Profits License Fee Returns, whether any license fee is owed or not. If a copy of the federal income tax return is not attached, the licensee will be subject to a \$25 failure to file penalty.

**ATTACHMENTS:** (continued)

For Sole Proprietorships, attach Schedule C of Form 1040 and any supporting statements or schedules detailing the total deducted for other deductions, taxes and licenses, etc.

For Partnerships, attach pages 1-4 of Form 1065 and any supporting statements or schedules detailing the total deducted for other deductions, taxes and licenses, etc.

For Corporations, attach pages 1-4 of Form 1120 and any supporting statements or schedules detailing the total deducted for other deductions, taxes and licenses, etc. Attach Form 1125-A if used.

For Sub-Chapter S Corporations, attach pages 1-4 of Form 1120S and any supporting statements or schedules detailing the total deducted for other deductions, taxes and licenses, etc. Attach Form 1125-A if used.

**DUE DATE:**

The Net Profits License Fee Return must be filed and all fees paid on or before the fifteenth day of the fourth month following the close of the licensee's federal tax year.

For calendar years, the return will be due on or before April 15.

All returns should be mailed to:

City of Elizabethtown, Ky

Director of Finance

PO Box 550

Elizabethtown, Kentucky 42702-0550

Returns can also be delivered to the Tax Office Window on the first floor of City Hall at 200 West Dixie Avenue, Elizabethtown, Kentucky.

**EXTENSION OF TIME TO FILE NET PROFITS LICENSE FEE RETURN:**

No standard form for requesting an extension of time for filing is prescribed. Any written communication from the applicant, or his attorney or accountant, which clearly states the extension request, will be acceptable if filed on or before the fifteenth day of the fourth month following the close of the licensee's federal tax year. Federal income tax extension will be accepted as a valid written request for extension, provided that the licensee's City of Elizabethtown identification number is plainly noted thereon.

An extension of time for filing the Net Profits License Fee Return does not extend the time for payment of the license fee. Full payment of the estimated license fee liability must accompany the request for extension.

Interest at the rate of twelve percent (12%) per annum shall apply to any unpaid license fee during the period of extension and shall be included with the amount remitted in payment of the license fee at the time of filing the Net Profits License Fee Return. No penalty shall be assessed in those cases in which all filing and payment requirements have in good faith been fulfilled.

**ESTIMATED TAX:**

The City of Elizabethtown does not require quarterly estimated payments, regardless of the license fee liability. If a licensee would prefer to make quarterly estimated payments,

send payment with a written explanation indicating the business name and city identification number.

**LINE-BY-LINE INSTRUCTIONS FOR PREPARING THE NET PROFITS LICENSE FEE RETURN:**

- Enter or verify the year for which the return is filed. Also enter or verify the name and address of the business and note any changes.

<b>Schedule A, Line 1</b>	Indicate which type of federal income tax return is filed by the licensee. Enter the total net income from the federal tax return. For Sole Proprietorships, enter the net profit or loss from page 1 of Schedule C of Form 1040 For Partnerships, enter the ordinary business income or loss from page 1 of Form 1065 For Corporations, enter the taxable income or loss from page 1 of Form 1120 For Sub-Chapter S Corporations, enter the ordinary business income or loss from page 1 of Form 1120S
<b>Schedule A, Line 2</b>	Enter the total deductions calculated in Schedule B of the Net Profits License Fee Return. For Schedule C filers <b>ONLY</b> , enter the “Deductible part of self-employment tax” from page 1 of Form 1040 that is directly attributable to the Net Income reported on Line 1 above. Label “1/2 SE Tax”.
<b>Schedule A, Line 3</b>	Enter the total additions calculated in Schedule B of the Net Profits License Fee Return
<b>Schedule A, Line 4</b>	Enter the total of line 1 less line 2 plus line 3
<b>Schedule A, Line 5</b>	Enter the allocation factor from Schedule C, Line 4 of the Net Profits License Fee Return. If all business activity is conducted in the City of Elizabethtown, the allocation percentage is 100%.
<b>Schedule A, Line 6</b>	Multiply line 4 by the allocation factor on line 5.
<b>Schedule A, Line 7</b>	To calculate the license fee due, multiply line 6 by 1.35% or .0135
<b>Schedule A, Line 8</b>	If the license fee due is not paid by the due date, interest is assessed at the rate of one percent (1%) each calendar month or fraction thereof (or twelve percent per annum) the return remains delinquent or remains unpaid.

- Schedule A, Line 9** If the Net Profits License Fee Return is not filed, or an extension requested, by the due date of the return or if the license fee due is not paid by the due date of the return, then penalty is assessed at the rate of five percent (5%) for each calendar month or fraction thereof the return remains delinquent or remains unpaid. The total penalty due shall never exceed twenty-five percent (25%) of the total license fee due as reported on line 7. However, the penalty will always be a minimum of twenty-five dollars (\$25).
- Schedule A, Line 10** The Minimum License Fee paid for the tax period in the amount of \$25 may be taken as a credit against license fees calculated on line 7. DCR# is a number generated internally by the city. Providing the DCR# is not the responsibility of the filer.
- Schedule A, Line 11** Add line 7, line 8 and line 9 then deduct line 10. The amount due should not be less than zero dollars (\$0).
- Schedule A, Line 12** Enter any estimate payments or extension payments made for the tax period.
- Schedule A, Line 13** Subtract line 12 from line 11.  
Make check or money order payable to Director of Finance.  
Do not send cash.  
If an overpayment is calculated, refund requests must be submitted in writing. Unless written request for a refund is received within two (2) years from the date the overpayment was made, no refund shall be allowed.

**SCHEDULE B, ADJUSTMENTS TO NET PROFIT**

- Deductions, Line 1 For corporations only, enter interest income as reported on Form 1120.
- Deductions, Line 2 For corporations only, enter dividend income as reported on Form 1120.
- Other deductions which are allocated to partners, members or shareholders for pass-through entities may also be allowed, such as contributions or Section 179 expense. See Ordinance No. 09-2006 for further details. Attach an explanation if other deductions are claimed.
- Enter the total of line 1 and line 2 on Schedule A, Line 2.

- Additions, Line 1 Enter the \$25 Minimum License Fee paid to the City of Elizabethtown if it is deducted as an expense in the tax period on the federal income tax return
- Additions, Line 2 Enter the amount deducted for state or local taxes based on income regardless of jurisdiction from the federal income tax return
- Additions, Line 3 If Line 1, Schedule A of the Net Profits License Fee Return includes a net operating loss, enter the amount here
- Additions, Line 4 For partnerships only, enter guaranteed payments to partners as reported on Form 1065.
- Enter the total of line 1, line 2, line 3 and line 4 on Schedule A, Line 3

### **SCHEDULE C, BUSINESS APPORTIONMENT**

*Schedule C of the Net Profits License Fee Return must be completed by all entities with sales revenue and/or payroll both in and out of the City of Elizabethtown. Completion of the schedule allocates to the City of Elizabethtown the proportionate part of the licensee's total business activity attributable to the City.*

#### Sales Revenue Factor

- Line 1, Column A** Enter the total gross receipts received from all City of Elizabethtown resources and business activities.
- Line 1, Column B** Enter the total gross receipts from all sources as reported on the federal income tax return.
- Line 1, Column C** Divide Column A by Column B. Enter the result on line 1, Column C. Carry out to at least four (4) decimal places.

#### Payroll Factor

- Line 2, Column A** Enter the total of wages and compensation paid or payable from all City of Elizabethtown resources and business activities.
- Line 2, Column B** Enter the total gross wages and compensation from all sources as reported on the federal income tax return.
- Line 2, Column C** Divide Column A by Column B. Enter the result on line 2, Column C. Carry out to at least four (4) decimal places.

#### Average Percentage

- Line 3, Column C** Add Column C Lines 1 and 2. Enter the result on Line 3 Column C
- Line 4, Column C** Divide Line 3, Column C by the number of percents used on lines 1 and 2, Column C. Enter the result on Line 4, Column C and also on Line 5 in the Schedule A section at the top of the form.