

CITY OF RICHMOND

NET PROFITS LICENSE FEE RETURN

INSTRUCTIONS

The City of Richmond Net Profits License Fee is levied at the annual rate of the net profits of all occupations, trades, professions or other businesses engaged in said activities in the City. The fee is levied against a partnership, or association as a business entity; therefore, the individual partners or members are not required to file a return on their distributive share of the profits. The Richmond Form 1 to be filed by all subject businesses (business having some receipts and/or payroll within the city limits of Richmond must be based on the net income as reported to the Federal government; therefore, the basis used (i.e. cash or accrual) must be consistent for both Federal Income Tax and Richmond License Fee Returns. Form 1 must be filed before April 15, if taxpayer is on a calendar year, or 105 days after either the end of the fiscal year, sale liquidation or transfer. Checks or money orders should be made payable to the City of Richmond. The instructions below facilitate the computation of the Net Profits License Fee. Please read them carefully.

BASIS OF LICENSE FEE

In computing the amount due, the taxpayer begins with total income shown by the Federal Income Tax Return less deductions as determined by the Federal Return. Deductions for general business expenses will be allowed to the extent recognized and approved as such in determining Federal Income Tax, but without deduction of state or local taxes based on income. All expenses connected with the acquisition or carrying of securities, the income from which is not subject under the ordinance, is not deductible.

Below in the column to the left is the type of business conducted; to the right is the Federal Income Tax Form on which Form 1 Return must be based.

Individual Proprietorship	Federal Form 1040, Separate Schedule C.
Estates and Trusts	Federal Form 1041
Partnership	Federal Form 1065
Corporation	Federal Form 1120

INSTRUCTIONS FOR ALL TAXPAYERS

SCHEDULE A

- Line 1 - Enter total income as shown by the appropriate Federal Return.
- Line 2 - Enter total deductions as shown by Federal Return.
- Line 3 - Enter Net Income as shown by the Federal Return.
- Line 4 - Add subject items totaled on line G of Schedule B.
- Line 5 - Total Lines 3 and 4.
- Line 6 - Deduct items not subject totaled on Line N of Schedule B.
- Line 7 - Enter Line 5 less Line 6.
- Line 8 - Enter average percentage as determined in Schedule C.
- Line 9 - Enter profits subject to Richmond License Fee - Line 8 Line 7.
- Line 10 - Enter (.02) 2% on Line 9. There shall be a **maximum** net profit liability payable to the City of Richmond to any individual, association, corporation or other entity engaged in any occupation, trade, profession or activity in the City of \$4,000 annually. (Ord. No. 94-29, 7/21/94)
- Line 11 - Interest (Enter 1/2% per month of delinquency).
- Line 12 - Penalty (Enter 1/2% per month of delinquency).
- Line 13 - Total Lines 10, 11, 12.
- Line 14 - Deduct credits for Regulated Licenses and Estimate Payments.
- Line 15 - Enter amount due. Line 13 less than Line 14 - (Pay this amount to the City of Richmond).

SCHEDULE B

The computation of License Fee provides for the adjustment of income as shown by your Federal Income Tax Return to the provisions of the Richmond License Fee Ordinance.

Schedule B is provided for the taxpayer to add (Lines A - F) items which are subject to the License Fee. Most of these appear as a part of the deductions taken on the Federal Return; therefore, they must be added back on Line 4 of Form 1. Lines H - M of Schedule B provide for the deduction of items not subject to the License Fee. Many of these items are taxable for Federal Income Tax purposes so they must be deducted on Line 6. Net profits from the sale of alcoholic beverages are not subject under Kentucky Statute and should be deducted on Line M. Attach schedule explaining such deduction. Listed below are instructions for each type taxpayer.

INDIVIDUAL PROPRIETORSHIPS

Lines D, E, H, I and J are not applicable as they do not appear on Federal Form 1040, Schedule C.

Lines A and B are for the addition of State and local taxes based upon Income and License Fee under this ordinance if either appears as a part of Line 2.

As separate Schedule C, Federal Form 1040 does not include business capital gains. Line C should show such gains as 100% subject.

Include in Line F, and itemize on a schedule, other business income not included in total business receipts on the Federal Schedule C.

PARTNERSHIPS, ASSOCIATIONS, ETC.

Net operating loss deductions (Line D) do not appear on a Federal Partnership Return, therefore Line D is not applicable.

Line E - All payments to partners deducted on U.S. Treasury Form 1065 must be entered here and a schedule attached.

Capital gains and losses should be entered on Lines C and L respectively.

CORPORATIONS

Line E is not applicable.

Net income from Federal Form 1120 should be adjusted by the items listed in Schedule B.

Capital gains included in net income on the Federal Return must be adjusted to eliminate any capital loss carry-over and shown as 100% subject.

SCHEDULE C

Schedule C must be completed by taxpayers with business receipts 1 and/or payroll 2, both within and without the city limits of Richmond. Completion of the schedule allocates to Richmond the proportionate part of the taxpayer's total business activity attributable to Richmond. However, if one of the two factors (business receipts or payroll factor) is missing the remaining factor is the Average of Business Allocation Percentage (Line 4 of Schedule C). A factor (business receipts or payroll) is not missing merely because the expenditures of the Licensee for payroll, or gross receipts, are found to be situated either entirely within or without the City of Richmond.

1. "Business Receipts" means the sum total of gross receipts from sales plus gross credits or charges for work done or services performed.
2. "Payroll" means total wages, salaries and other employee's personal service compensation.