

USE THIS FORM NP-1 TO FILE FOR PERIODS ENDING AFTER 06/30/05 ONLY!

Please call (270) 687-5600 regarding the Net Profit License Fee Return to be used when filing for periods ending prior to 7/01/05 for the **City Of Owensboro**. A Net Profit License Fee Return is not required to be filed for **Daviess County** for any period ending prior to 07/01/05.

General Instructions

The following instructions are provided to aid the license fee payer in the completion of Form NP-1, Net Profit 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 and regulations for the City of Owensboro and Daviess County Fiscal Court.

HOW IS THE NET PROFIT LICENSE FEE ASSESSED:

Form NP-1 is required to be filed by a licensee that conducts business in the City of Owensboro and/or Daviess County. For purposes of calculating the Net Profit License Fee due, business receipts resulting from business activity within the corporate city limits of Owensboro shall be considered when determining the Net Profit License Fee due the City of Owensboro. Business receipts resulting from business activity within Daviess County, occurring outside the corporate city limits of Owensboro, shall be considered when determining the Net Profit License Fee due Daviess County Fiscal Court.

WHO MUST FILE FORM NP-1:

Corporations, partnerships, sole proprietors, estates and trusts, or other entities engaged in a business having:

1) Business activity in the City of Owensboro and/or Daviess County and, 2) business nexus in the City of Owensboro and/or Daviess County sufficient to justify the imposition of the license tax.

YOU MUST FILE FORM NP-1 EVEN IF:

Your business activity resulted in a loss for the tax year. Complete form NP-1 according to the instructions provided, sign the form and return to the City of Owensboro or Daviess County Fiscal Court. (CODCFC)

You were not actively engaged in business during the year but intend to resume operations at a future date. Indicate "No activity in jurisdictions during tax year" on Form NP-1, sign the form and return it to the CODCFC.

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 in jurisdictions during tax year" and "Final return" on Form NP-1, complete question B, sign the form and return it to CODCFC.

Your business was operational for a portion of the tax year but ceased operation prior to the completion of your federal tax year. Complete Form NP-1 according to the instructions provided and indicate "Final" on the form, complete question B, sign and return it to CODCFC.

You applied for a Business License Fee account number with the intention of starting a business but never transacted business within Owensboro/Daviess County and do not intend to do so in the future. Indicate "No activity in jurisdictions during tax year" and "Final" on Form NP-1, complete question B, sign the form and return it to CODCFC.

FORM NP-1 DUE DATE:

The Form NP-1, Net Profit 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.

EXTENSION OF TIME TO FILE FORM NP-1:

IMPORTANT NOTE: When filing for an extension of time, that includes a payment, the licensee must indicate if the request is for the **City of Owensboro, Daviess County** or is a **combined request** for **both**. **Any payment** made with a combined request must specifically identify the amount being paid on behalf of each jurisdiction.

An automatic extension of six months will be granted to any business entity for filing its Net Profit License Fee Return if the business entity, on or before the date prescribed for payment of the occupational license fee, requests the extension and pays the amount properly estimated as its fee.

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 request, when accompanied with proper payment, will be acceptable if filed on or before the due date involved. Federal forms 4868, 8736 or 7004 will be accepted as a valid written request for extension, provided that the licensee's occupational license fee account number is plainly noted thereon. The extension request submitted by the licensee or his agent shall set out the licensee's name and account number, the period for which the extension of time for filing is desired, and the reason requested (Also see **IMPORTANT NOTE** above).

An extension of time for filing the Net Profit 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. Merely sending a tentative or estimated payment is not an acceptable request for an extension, and the written request for the extension must be on a separate paper from the check by which any estimated payment is made (See **IMPORTANT NOTE** above).

Interest at the rate of twelve (12) percent 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 Profit License Fee Return. No penalty shall be assessed in those cases in which all filing and payment requirements have in good faith been fulfilled and the final license fee and interest is paid with the filing of the Net Profit License Fee Return within the period as extended.

Any extension shall be granted with the understanding that all prior filing and payment requirements have been fulfilled (See **IMPORTANT NOTE** above). However, if upon further examination it becomes evident that prior filing and payment requirements have not been fulfilled; interest and penalty shall be assessed in full and in the same manner as though no extension had been granted.

GROSS INCOME LIMITATIONS; CITY OF OWENSBORO:

If gross receipts/sales revenue and other subject income earned in the **City of Owensboro** by an entity is less than \$3,500, such entity may calculate the license fee due by multiplying the total income subject by the license fee rate. To be eligible for this treatment the licensee must complete Part IV of the Net Profit License Fee Return.

Line-by-line instructions for Form NP-1, Net Profit License Fee Return

Important: Use Column A of Form NP-1 to calculate the Net Profit License Fee Due the City of Owensboro, generated from business activity within the corporate city limits of Owensboro.

Use Column B of Form NP-1 to calculate the Net Profit License Fee Due the Daviess County Fiscal Court, generated from business activity within Daviess County, outside the corporate city limits of Owensboro.

TAX COMPUTATION

Line 1 Enter the total net profit from Part I in applicable Column(s).

Line 2 CITY OF OWENSBORO – Add the total **net profit or loss** resulting from: real estate rental and the **Gross Receipts** from such rental is \$5,000 or less for periods ending on or after 12/31/06, or for the rental of less than 10 single habitable residential units if period ending is prior to 12/31/06; the **net profit or loss** from the sale of farm products by a farmer in the city limits, as defined by regulation; amounts earned prior to attaining age 16; and/or the **net profit or loss** resulting from temporary booths. If the adjustment is a **net profit, enter as a negative number**. If the adjustment is a **net loss, enter as a positive number**. **Attach Schedule showing exempt amounts. (Rental exemptions only for individual)**

DAVIESS COUNTY – Add the total **net profit or loss** resulting from: the rental of less than 10 single habitable residential real estate units in Daviess County, outside the City of Owensboro; the amounts earned prior to attaining age 16. If the adjustment is a **net profit, enter as a negative number**. **If the adjustment is a net loss, enter as a positive number. Attach Schedule showing exempt amounts. (Rental exemptions only for individual)**

Line 3 Enter the **Adjusted Net Profit**. Line 1 plus Line 2.

Line 4 Enter the average allocation percentage from Part II, Line 4.

Line 5 Taxable Net Profit. Multiply Line 3 by Line 4.

Line 6 Occupational License Fee Rate

City of Owensboro: 1.33%

Daviess County: 0.35% (Please call 270-687-5600 for rates prior to 12/31/07)

Line 7 Multiply Line 5 by the license fee rate on Line 6. Enter the result on Line 7.

Line 8 CITY OF OWENSBORO ONLY – \$47 Minimum License Fee Due. (**NOTE: The \$47 Minimum License Fee is not due if there was no business activity in the City of Owensboro during the year or if Gross Receipts/Sales Revenue earned in the City of Owensboro are less than \$3,500. If Gross Receipts/Sales Revenue earned in the City of Owensboro is less than \$3,500 PART IV must be completed.**)

DAVIESS COUNTY ONLY- No Minimum License Fee Due. Go to Line 9.

Line 9 City of Owensboro (Column A): Compare amounts from Line 7 and Line 8. Enter the larger amount on Line 9.

Daviess County (Column B): Enter the amount from Line 7 on Line 9.

Line 10 Enter on Line 10 any credits resulting from estimated payments, minimum license fees and/or registration fees paid in advance or credits carried forward from a previous filing period.

NOTE: Any overpayment of license fee to the City of Owensboro, including payments made with an extension request, will not be allowed to offset any underpayment of license fee to Daviess County. Any overpayment of license fee to Daviess County, including payments made with an extension request, will not be allowed to offset any underpayment of license fee to the City of Owensboro.

Line 11 If amount from Line 10 is larger than the amount from Line 9 enter **difference** as refund or credit due. Please check box next to refund or credit to denote how you prefer the overpayment to be handled for your account.

NOTE: Any overpayment of license fee to the City of Owensboro, including payments made with an extension request, will not be allowed to offset any underpayment of license fee to Daviess County. Any overpayment of license fee to Daviess County, including payments made with an extension request, will not be allowed to offset any underpayment of license fee to the City Of Owensboro.

Line 12 If amount from Line 9 is larger than Line 10; enter **difference** as license fee due.

Line 13 If the Net Profit 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, or an extension properly applied for, by the due date of the return, then penalty is assessed at the rate of five percent (5%) for each calendar month or fraction of calendar month the return remains delinquent or the license fee remains unpaid. The total penalty due shall never exceed twenty-five percent (25%) of the total license fee due; however the penalty will always be a minimum of twenty-five dollars (\$25). The penalty is assessed on the first day after the due date of the Net Profit License Fee Return and on the first day after the due date of the Net Profit License Fee Return and on the first day of each succeeding calendar month that the license fee remains unpaid or the return remains delinquent.

Line 14 If the license fee due is not paid by the due date, interest is assessed at the rate of twelve percent (12%) per annum simple interest from the time the fee was due until the fee is paid. A full months' interest of one percent (1%) is assessed on the first day after the due date of the Net Profit License Fee Return and on the first day of each succeeding calendar month that the license fee remains unpaid.

Line 15 Add Lines 12 through 14. This is the total license fee, penalty and interest due.

Line 16 Add Line 15 Column A to Line 15 Column B to determine the payment due with Form NP-1.

NOTE: Any overpayment of license fee to the City of Owensboro, including payments made with an extension request, will not be allowed to offset any underpayment of license fee to Daviess County. Any overpayment of license fee to Daviess County, including payments made with an extension request, will not be allowed to offset any underpayment of license fee to the City Of Owensboro.

**PART I: SPECIFIC INSTRUCTIONS NET PROFIT
READ THE INSTRUCTIONS BELOW FOR THE ITEMS THAT APPLY TO YOUR OPERATION BEFORE
COMPLETING FORM NP-1.**

Use Part I to calculate subject earnings for the City of Owensboro and/or Daviess County. Attach to NP-1 Form along with applicable Federal Forms and Schedules. The forms are designed to accommodate the filing needs of individuals, partnerships, and corporations. You should complete only those items that apply to your operation:

- 1099 MISC - Individuals receiving payments for contract services (non-employee compensation) who are not claiming business expenses. Complete PART I Lines 1, 12, 17 under column — **"INDIVIDUAL"** as applicable, PARTS II, III and IV as applicable and complete NP-1.
- Schedule C, E, or F - Individuals receiving income from the operation of a trade, business or profession. Complete PART I Lines 2 through 17 under the column marked — **"INDIVIDUAL"** as applicable, PARTS II, III and IV if applicable, and complete NP-1.
- Form 1065 Partnerships - Complete PART I Lines 7 through 17 under the column marked — **"PARTNERSHIP"** as applicable, PARTS II, III and IV if applicable, and complete NP-1.
- Form 1120, 1120A, 1120S, 1120 H Corporations (Complete Lines 8 through 17 under the column marked — **"CORPORATION"** as applicable, PARTS II, III and IV if applicable, and complete NP-1.

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

NOTE: Line 1 should be completed only by individuals who received payments for contract services who are not claiming business expenses. Attach a copy of page 1 of Form 1040 and Form 1099 MISC.

Line 2: Enter the net profit or loss as shown on Federal Schedule C. **Attach** copy of page 1 and 2 of Schedule C, or the Schedule C-EZ.

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, Form 6252. **NOTE:** Proceeds from the 2004 Tobacco Transition Payment Program, also called the "Tobacco Buyout", whether treated as a capital gain/loss or ordinary incomes, is exempt from payment of the occupational license fee and should not be included.

Line 4: Enter the total rental income or loss per Federal Schedule E. **Attach** a copy of Federal Schedule E of Form 1040.

Line 5: Enter the net farm profit or loss per Federal Schedule F or Form 4835. **Attach** a copy of Federal Schedule F or Form 4835.

Line 6: Enter the net gain or loss from the sale of property used in your trade or business per Federal Form 4797. **Attach** copy of Form 4797, pages 1 and 2.

Line 7: Enter the Ordinary Income or Loss per Federal Form 1065. **Attach** a copy of Federal Form 1065, Pages 1, 2, 3 and 4, Form 1125A, Schedule of Other Deductions, and Form 8825 Rental Schedule(s) if applicable, or its equivalent. Persons with real estate sales must attach list of properties sold.

Line 8: Enter the Taxable Income or Loss after special deductions and net operating loss per Federal Form 1120, 1120A, **OR** Ordinary Income/Loss on Federal Form 1120S. **Attach** copy of Federal Form 1120 or 1120A, Pages 1 and 2, and Schedule of Other Deductions **OR** 1120S, Pages 1, 2 and 3, Schedule of Other Deductions, and Form 8825 Rental Income/Expense, or equivalent.

Line 9: Enter any deduction taken for occupational taxes by an individual on Schedule C, E, or F, by a partnership on Form 1065, or by a corporation on Form 1120, 1120A, or 1120S, or for state taxes based on income.

Line 10: Enter the total of the 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, or its equivalent, and Rental Schedules, if applicable.

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

Line 11: Enter the amount of any net operating loss, if taken as a deduction on Federal Form 1120. This amount is to be added to taxable income.

Line 12: Enter the total of Lines 1 through 11, as applicable.

Line 13: Enter the total of the items listed below that 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 or its equivalent and Rental Schedules, 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 Section 1231 (other than due to casualty or theft)
- Charitable Contributions
- Expense deductions for recover property (Section 179)
- Deductions related to portfolio income
- Other allowable deductions per Schedule K (attach schedule)

Line 14: Enter the total from Line 3 of PART III, NET ALCOHOLIC BEVERAGE SALES, if applicable.

Line 15: This line should include deductible items of income not deducted elsewhere. A schedule and explanation of the adjustments must be attached.

Line 16: Enter the total of Lines 13 through 15, as applicable.

Line 17: Subtract Line 16 from Line 12. This entry represents your "Adjusted Net Profit."

PART II: APPORTIONMENT FACTORS:

Part II must be completed by all licensees with sales revenue and/or payroll both within and without the City of Owensboro. Completion of the schedule allocates to the City of Owensboro the proportionate part of the licensee's total business activity attributable to the City. If your business is conducted entirely within the City then Part II should **not** be completed. Instead enter 100% on Line 4 of Form NP-1 under Column A labeled "City of Owensboro", and complete Lines 5 through 15 of that column.

Line 1a: Enter the total gross receipts from the sale, lease, or rental of goods, services, or property received from **all the City of Owensboro sources in Column A and all the Daviess County sources in Column B**, except for the **receipts** related to the net profit or loss from: exempt rental property receipts, the sale of qualified farm products, earnings made before attaining 16, and receipts from qualifying exempt festivals during the period covered by the Net Profit License Fee Return. Attach schedule.

Line 1b: Enter the total gross receipts from the sale, lease, or rental of goods, services, or property received from **all sources**, except for the gross receipts related to the net profit or loss in the City of Owensboro from: exempt rental property receipts, the sale of qualified farm products, earnings made before attaining age 16 and receipts from qualifying exempt festivals during the period covered by the Net Profit License Fee Return. Attach schedule.

Line 1c: Divide Line 1a by Line 1b. Carry out to at least six (6) decimal places.

Line 2a: Enter the total compensation paid or payable to employees for work done or services performed or rendered **within the City of Owensboro in Column A and within Daviess County in Column B** during the period covered by the Net Profit License Fee Return.

Line 2b: Enter the total compensation paid or payable to employees for work done or services performed or rendered in **all business locations** during the period covered by the Net Profit License Fee Return.

Line 2c: Divide Line 2a by Line 2b. Carry out to at least six (6) decimal places.

Line 3: Add Line 1c + 2c

Line 4: If your business had both factors, enter total percentages divided by two (2) (line 3 divided by line 2). However, if the business had only one factor, enter the single factor percentage.

Note: If one of the factors is missing the remaining factor is the average allocation percentage to be entered on Line 4 of Form NP-1. A factor (payroll or sales revenue) is considered missing if:

1. With regards to the payroll factor, a licensee's entire business operation did not have **any** compensation paid or payable to employees for work done or services performed or rendered. (i.e. Part II, Line 2a, Columns A and B both equal zero).
2. With regard to the sales revenue factor, a licensee's entire business operation did not recognize **any** receipts from the sale, lease, or rental of goods, services, or property. (i.e. Part II, Line 1a, Columns A and B both equal zero).

YOUR RIGHTS AS A CITY OF OWENSBORO – DAVIESS COUNTY FISCAL COURT LICENSE FEE PAYER

MISSION

The Mission of the City of Owensboro-Daviess County Fiscal Court (CODCFC) is to provide courteous, accurate and efficient services for the benefit of Owensboro/Daviess County and its citizens, and administer the occupational license fee laws of the City of Owensboro and the Daviess County Fiscal Court in a fair and impartial manner.

RIGHTS OF OCCUPATIONAL LICENSE FEE PAYER

Privacy – You have the right to privacy of information provided to the CODCFC. The CODCFC is not authorized to discuss your tax matters with anyone unless you authorize the CODCFC to do so.

Assistance – You have the right to advice and assistance from the CODCFC in complying with the occupational license fee laws of the City of Owensboro and Daviess County Fiscal Court.

Explanation – You have the right to a clear and concise explanation of:

- Basis of assessment of additional license taxes, interest and penalties, or the denial or reduction of any refund or credit claim:
- Procedure for an appeal of a determination of CODCFC; and
- License fee laws and changes in license fee laws so that you can comply with the law.

Appeal – You have the right to appeal a determination of CODCFC, such an assessment of license fee or penalty, reduction or a denial of a refund, or a revocation of a license or permit.

Conference – You have the right to a conference to discuss a license fee matter.

Representation – You have the right to representation by an attorney, accountant or other person in any hearing or conference with CODCFC. If you intend for your representative to come in your place, you must notify the CODCFC prior to any hearing or conference.

Recordings – You have the right to make an audio recording of any meeting, conference or hearing with CODCFC, or to be notified in advance if the CODCFC plans to record the proceedings and to receive a copy of any recording.

Consideration – You have the right of consideration of:

- Waiver of penalties or collection fees if “reasonable cause” for reduction or waiver is given (“reasonable cause” is defined as: “an event, happening or circumstance entirely beyond the knowledge or control of a taxpayer who has exercised due care and prudence in the filing of a return or report or the payment of monies due the CODCFC pursuant to the law or administrative regulation”);
- Installment payments of delinquent license taxes, interest and penalties.