

## INSTRUCTIONS

The City of Frankfort Net Profit License Fee is levied at the annual rate of 1.75 percent 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 Net Profit License Fee Return to be filed by all businesses having some receipts and/or payroll within the City of Frankfort must be based on the net income as reported to the state or federal government. **The Net Profit License Fee Return must be filed before April 15, if license is on a calendar year, or 105 days after the end of the fiscal year, sale, liquidation or transfer.** Checks or money orders should be made payable to the Director of Finance, City of Frankfort, KY.

### BASIS OF LICENSE FEE

In computing the amount due, the taxpayer begins with gross receipts as shown by the Federal Income Tax Return less deductions as determined by the Federal Return. Deduction 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 the Form 8 must be based.

Individual_____	Federal form 1040, schedule C
Estates and Trusts_____	Federal form 1041
Partnerships_____	Federal form 1065
Corporation_____	Federal form 1120
Sub-Chapter S Corporation_____	Federal form 1120S

### INSTRUCTIONS FOR ALL TAXPAYERS SCHEDULE A

If taxpayer pays License Fee on 100% of Net Profits and has no Schedule B adjustments, he need fill in only Schedule A; however, all taxpayers must answer all questions.

Line 1 – Gross 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 Federal Return.

Line 4 – Add subject items totaled on Line F of Schedule B.

Line 5 – Total lines 3 and 4.

Line 6 – Deduct Items not subject totaled on Line M 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 Frankfort License Fee – Line 8 x Line 7.

Line 10 – (Enter 1.75% of Line 9.)

Line 11 – Minimum License Fee is \$35.00.

Line 12 – Compare Amounts on Line 10 and 11. Enter the Larger Amount.

Line 13 – Enter Credits, Estimated Payments and/or First Year Registration Fee

Line 14 – Enter Refund or Credit Due if Applicable.

Line 15 – Enter Balance of License Fee Due if Applicable.

Line 16 – Late Payment Penalty of 5% per month or Portion of month not to exceed 25%. However it shall not be less than \$25.00. This is assessed against any license fee unpaid on return due date, except for approved extensions of time. Line 17– Interest of 1% Per Month or Fraction Thereof Assessed Against Any License Fee Unpaid on Return Due Date Including Approved Extensions of Time.

Line 18 – Enter Total License Fee, Penalty and Interest Due.

**If an extension is necessary, a written request and copy of State or Federal application for extension must be submitted to the City of Frankfort before the due date of the Net Profit License Fee Return. If extension is granted, enter date on Line 14. Interest remains due from original due date (See Line 13).**

#### **SCHDEULE B**

Schedule B is provided for the licensee 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. Line H-M of the Schedule C provide for the specific deduction of items not subject to the License Fee. Many of these items are only taxable for Kentucky or Federal Income Tax purposes so they must be deducted on Line 6. Attach applicable schedule explaining any deductions on Line L.

#### **SCHEDULE C**

Schedule C must be completed by taxpayers with business receipts and/or payroll, both within and without the City of Frankfort. Completion of the schedule allocates to Frankfort the proportionate part of the Taxpayer's total business activity attributable to Frankfort. However, if one of the two factors (business receipts or payroll factor) is missing the remaining factor is the Average or Business Allocation Percentage (line 4 of Section C).

**ANY QUESTIONS SHOULD BE DIRECTED TO THE LICENSE FEE DIVISION  
P.O. BOX 697, FRANKFORT, KY 40602  
PHONE: (502) 875-8504  
FAX #: (502) 875-8502**