

## INSTRUCTIONS

(PER KRS 67.750 TO 67.795; Somerset City Ordinance 13-02)

The City of Somerset, Kentucky Net Profits License Fee is levied at the annual rate of .6 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 Profits License Fee return to be filed by all businesses having some receipts and/or payroll within the City of Somerset must be based on the net income as reported by the state or federal government. The Net Profits License Fee Return must be filed on or before April 15, if license is a calendar year, or 105 days after the end of the fiscal year, sale, liquidation or transfer. Check or money orders should be made payable to the Somerset City Clerk.

### 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 expense will be allowed to the extent recognized and approved as such in determining Federal Income tax but without deduction of state and 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 1 must be based:

|                           |   |
|---------------------------|---|
| Sole Proprietor           | Federal form 1040, Schedule C or Schedule F |
| Estates & Trusts          | Federal form 1041                           |
| Partnerships              | Federal form 1065                           |
| Corporation               | Federal form 1120                           |
| Sub-Chapter S Corporation | Federal form 1120S                          |

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 per Federal Return Form (state specific return(s)) in space provided and fill in earnings on appropriate line
- Line 2: Enter total deductions as shown by the Federal Return
- Line 3: Enter Net Income as shown by Federal Return
- Line 4: Add subject items totaled on Line F, Schedule B
- Line 5: Total line 3 and 4
- Line 6: Deduct items not subject totaled on Line L of Schedule B
- Line 7: Enter Line 5 less Line 6
- Line 8: Enter average percentage as determined on Schedule C
- Line 9: Enter profits subject to City of Somerset License Fee – Line 8 x Line 7
- Line 10: Enter .6% of amount on Line 9
- Line 11: Enter amount of Payment(s)/Credits if applicable.
- Line 12: If overpaid enter the amount here. Designate amount applied as credit or refund requested.
- Line 13: If balance due enter the amount here.
- Line 14: Late payment penalty is 5% per month or portion of month. However, it shall not be less than \$25.00.  
This is assessed against any license fee unpaid on return due date. An approval of extension of time to file is not an approval of extension of time to pay.
- Line 15: Interest of 1% per month or portion of month assessed against any License Fee unpaid on return due date including approved extensions of time.
- Line 16: Enter amount due (Line 12 plus Line 13 plus Line 14 minus Line 15).

Extension requests must be submitted in writing along with a copy of State or Federal application to the Somerset City Clerk on or before the due date of the Net Profit License Fee Return. Interest remains due from original due date.

### SCHEDULE B

Schedule B is provided for the licensee to add (Line A-E) items which are subject to the License Fee. Most of these appear as a part of the deductions taken on the Kentucky Return; therefore, they must be added back on Line 4. Lines G-K of schedule B 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 K.

### SCHEDULE C

Schedule C must be completed by taxpayers with business receipts and/or payroll in more than one tax district including City of Somerset. Completion of Column A allocates to City of Somerset the proportionate part of the taxpayer's total business activity relating to business inside the City of Somerset. 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:  
SOMERSET CITY CLERK; P.O. BOX 989; SOMERSET, KY 42502; PHONE (606) 679-6366

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