

## FORM OL INSTRUCTIONS

The Lincoln County Occupational Tax Office (hereinafter referred to as the "**Tax Administrator**") collects **Occupational License Fees/Taxes** (hereinafter referred to as "**Occupational Taxes**") on all income resulting from transacting business within Lincoln County, Kentucky. **There is no minimum earned income amount before you are liable for filing a tax return.** The occupational tax is imposed upon the privilege of engaging in a business, profession, occupation, or trade within Lincoln County, Kentucky, regardless of the legal residence of the person so engaged.

### **Who Must File an Occupational License Tax Return:**

1. Corporations, partnerships, sole proprietorships, estates and trusts, or other businesses engaged in an occupation, trade, or profession, (including agriculture and rentals) in Lincoln County, Kentucky.
2. Individuals who receive wages, salaries, commissions, or other compensation for work done or services performed in Lincoln County, Kentucky, from which the full amount of occupational taxes due have not been withheld by their employer and remitted to the Tax Administrator.  
  
**NOTE:** Any payments that are received for work performed in Lincoln County, Kentucky, are subject to occupational taxes. If the person you work for did not withhold the full amount of occupational tax, you must file a tax return.
3. Individuals having rental income from real property where the property available for rental includes, but is not limited to, improvements such as warehouses, apartment buildings containing four or more units, hotel buildings, office buildings, restaurants, and other commercial structures shall be deemed with respect to such rentals to be engaged in an "activity" which requires a license tax to be paid and a return filed regardless of the amount of gross receipts received therefrom.
4. Items not subject to Occupational Taxes: interest (unless one is engaged in the business of money-lending), dividends, royalties on patents, copyrights (unless the payment or salary), and payments received from Social Security and pensions.

**The Tax Administrator and the Internal Revenue Service have entered into a coordination of tax administration agreement which allows the exchange of tax information between the two agencies pursuant to IRS Code Section 6103(d).**

### **A Tax Form Must Be Filed Even If:**

- Your business activity resulted in a **loss** for the tax year. Complete the tax form according to the instructions provided.
  
- You were not actively engaged in business during the tax year but do intend to resume operations at a future date. Check the box designated "**NO ACTIVITY**," sign, and mail/deliver the return to the Tax Administrator.
  
- Your business activity ceased prior to the beginning of the tax year, but you have not provided written notification that operations ceased. Check the boxes designated "**NO ACTIVITY**" and "**FINAL RETURN**," enter the date your activity ceased, sign, and mail/deliver the return to the Tax Administrator.
  
- Your business was operational for a portion of the tax year but ceased operation prior to the completion of the fiscal period. Complete the tax form according to the instructions provided. Check the box designated "**FINAL RETURN**," enter the date activity ceased, sign, and mail/deliver the return to the Tax Administrator.
  
- You applied for a tax number with the intention of starting a business but never transacted business within Lincoln County, Kentucky, and do not intend to do so in the future. Check the boxes designated "**NO ACTIVITY**" and "**FINAL RETURN**," enter the date activity ceased, sign, and mail/deliver the return to the Tax Administrator.

**When to File:** Form OL must be delivered or postmarked by the 15th day of the 4th month after the end of the fiscal year.

Taxpayers making payments of \$600.00 or more to recipients other than employees (i.e. non-employee compensation payments) for services performed within Lincoln County, Kentucky, are responsible to maintain records of those payments.

The taxpayer making the payment is responsible for completing and submitting copies of Federal Form 1099-MISC, to the Lincoln County Occupational Tax Office, 102 East Main Street, Stanford, KY 40484 by February 28th of the next year following the close of the calendar year in which the non-employee compensation was paid.

**IMPORTANT** - Persons receiving non-employee compensation payments for services performed in Lincoln County, Kentucky, will be required to report and pay local tax on that income. Since many persons receiving this income are not aware of the local tax requirements, we ask that you advise them to contact the Lincoln County Occupational Tax Office to obtain a local tax reporting number and tax forms. Recipient's failure to obtain a tax number and file the proper tax forms may result in additional penalties, fines, and court costs.

**Non-employee compensation: 1099 data** must be delivered or postmarked by **February 28th** following the close of the calendar year in which non-employee compensation payments were made.

**Where to File:** All returns should be mailed or delivered to the **Lincoln County Occupational Tax Office, 102 E. Main Street, Ste 3, Stanford, Kentucky 40484**, along with your check made payable to the **Lincoln County Tax Administrator**.

**Signature:** If the return is being filed by a corporation, it must be signed and dated by a corporate officer authorized to sign. If the return is being filed by a partnership, it must be signed by a general partner. If the return is being filed by a sole proprietor, it must be signed by that individual. Additionally, the licensee who signs the return must print his/her name in the area provided.

**Extensions:** If an extension of time for filing is required, a separate extension request to the Lincoln County Occupational Tax Office is mandatory in all cases. You must file Form OL-E or a copy of your federal extension application to request an automatic 6-month extension to file OL Return. All extension requests should include your Occupational License account number. The extension must be postmarked or hand-delivered to the Tax Administrator on or before the original due date. Any tax due must be paid by the 15<sup>th</sup> day of the fourth month following the close of the fiscal year end.

**Estimated Tax:** If an extension of time for the filing of a return has been granted, any balance of the occupational tax unpaid by the regular due date bears interest at the rate of twelve percent (12%) per annum.

**Penalties for Failure to File and/or Pay:** There is a five percent (5%) penalty per month, or a fraction of a month, to a maximum of twenty-five percent (25%) of the total license tax liability for failure to file and/or pay a tax return by the regular or extended due date. **Pursuant to KRS 67.790, there is a minimum \$25.00 penalty for failure to file and/or pay any return or report by the due date.**

**Interest:** Interest is computed at twelve percent (12%) per annum from the original due date until the date of payment.

**Refund Request:** Claims for refund or credit must be submitted within two (2) years from the filing of the tax return or due date of the tax return, or two (2) years from payment, whichever is later.

**State Exemptions:** The following persons are exempt under Kentucky law from the net profits occupational tax and are not required to file a return:

1. Any company that pays both an ad valorem tax and a franchise tax pursuant to the provisions of KRS 136.120.
2. Persons whose sole business activity is the manufacture of and/or sale of alcoholic beverages. (However persons having only a portion of business activity being derived from the manufacturing and/or selling of alcoholic beverages are required to file a return, but may exclude the portion of their net profits derived from such manufacture and/or sale of alcoholic beverages.
3. Life insurance companies incorporating under the laws of and doing business in the State of Kentucky [See KRS 136.320 (4) (5)].
4. Banks, trust companies, combined bank and trust companies, combined trust, banking and title businesses, savings and loan associations (whether state or federally chartered).
5. Persons whose sole wages, salaries, commissions, or other compensations earned in Lincoln County, Kentucky, are derived from service as members of the Kentucky National Guard for active duty training, unit training assemblies, and annual field training.

## Accounting Methods:

CONSOLIDATED RETURNS - Are not permitted in filing this return. If a corporation which is subject to the occupational license tax is included in a consolidated return, that corporation shall submit the following:

1. Form OL based upon the taxable income (or loss) of the corporation subject to the occupational tax, not the consolidated taxable income.
2. A copy of the consolidated Form 1120 or its equivalent.
3. A computation sheet allocating all revenue and expense items on the consolidated Federal return to each corporation included in that consolidated return.

**SEPARATE ACCOUNTING METHOD** is not permitted in the filing of this return. Therefore, if any entity has operations both within and outside Lincoln County, Kentucky, the total profit or loss per the Federal return of the entity should be reported on this return. The total profit or loss is to be multiplied by the apportionment percentage of receipts and wages earned in Lincoln County, Kentucky, as computed in the apportionment calculations (Lines 20-23), rather than reporting only the net profit or loss from those operations in Lincoln County, Kentucky.

## **READ THE SPECIFIC INSTRUCTIONS BELOW**

### **FOR THE ITEMS THAT MAY APPLY BEFORE COMPLETING FORM OL.**

The Occupational License Tax Return has been designed to accommodate the filing needs of individuals, sole proprietors, partnerships, and corporations. You should complete only those items that apply to your operation:

- W-2 - Employees receiving salaries, wages, tips, etc., from which the full amount of occupational tax was not withheld. (Complete Line 1(a) through Line 1(e), and Lines 27 through 34.)
- 1099 MISC - Individuals receiving payments for contract services (non-employee compensation) who are not claiming business expenses. (Complete Lines 2, 13, 19, 20, 23, and Lines 24 through 34 under the column marked “**INDIVIDUAL**” as applicable.)
- Schedule C, E, or F - Individuals receiving income from the operation of a trade, business or profession. (Complete Lines 3 through 34 under the column marked “**INDIVIDUAL**” as applicable.)
- Form 1065 – Partnerships (Complete Lines 8 through 34 under the column marked “**PARTNERSHIP**” as applicable.)
- Form 1120, 1120A, 1120S - Corporations (Complete Lines 9 through 34 under the column marked “**CORPORATION**” as applicable.)

**Line 1(a):** Enter the gross salaries, wages, tips, and other forms of compensation reported on Form W-2. (**NOTE:** Applies only to individuals who did not have the full amount of occupational tax withheld from their wages). Amounts deferred due to Section 401K, 403B, or 457 of the Internal Revenue Code must be included.

**Line 1(b):** Enter the related employee business expenses reported on Federal Form 2106. (**Attach** a copy of Form W-2 and Form 2106)

**Line 1(c):** Subtract Line 1(b) from Line 1(a).

**Lines 1(d) and 1(e):** Complete the apportionment computations on Lines 1(d) and 1(e) and enter the results on Line 27 Column A, if applicable. Percentage calculations should be carried out five (5) decimal places. **EXAMPLE:** “22.12345%” or “.2212345”

**NOTE:** If you had a loss from a business operation, you may not offset your loss against wages reported on Line 1(e).

**Line 2:** Enter the amount of non-employee compensation reported on Federal Form 1099 MISC or the amount of other income per Form 1040.

(**NOTE:** Line 2 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). If you had no other type of income to report (i.e. you did not own or operate a business during the year), read the instructions for Lines 13, 19, 20, 23 and Lines 24 through 34 and complete the line items according to the instructions provided.

**Line 3:** Enter the net profit or loss as shown on Federal Schedule C. (**Attach** a copy of page 1 and 2 of Schedule C, or Schedule C-EZ)

**Line 4:** 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 your trade or business. (**Attach** a copy of Form 4797, pages 1 and 2, or Form 6252.)

**Line 5:** Enter the total rental income or loss per Federal Schedule E. (**Attach** a copy of Federal Schedule E of Form 1040.)

**NOTE:** Rental income or loss should be reported on Line 5 only if the rental property constitutes an activity. Activity is defined in Items 3 and 4 under the heading, “Who Must File an Occupational License Tax Return (Form OL)”.

**Line 6:** Enter the net farm profit or loss per Federal Schedule F. (**Attach** a copy of Federal Schedule F). **NOTE:** Farm profit or losses should be reported only if the farm is located in Lincoln County, Kentucky. Farm losses for farms located in Lincoln County, Kentucky are subject to the hobby loss rules (U.S. Department of Treasury Regulations 1.183.1(c) and 1.183.2(b)).

**Line 7:** Enter the net gain or loss from the sale of property used in your trade or business per Federal Form 4797. (**Attach** a copy of Form 4797, pages 1 and 2)

**Line 8:** Enter the Ordinary Income or Loss per Federal Form 1065. (**Attach** a copy of Federal Form 1065, Pages 1, 2, 3 and 4, Schedule of Other Deductions, and Rental Schedule(s) if applicable, or its equivalent.)

**Line 9:** Enter the Taxable Income or Loss after special deductions and net operating loss per Federal Form 1120, 1120A, or the Ordinary Income or Loss per Federal Form 1120S. (**Attach** a copy of Federal Form 1120 or 1120A, Pages 1 and 2, or 1120S, Pages 1, 2 and 3, Schedule of Other Deductions, and Rental Schedule(s) if applicable, or its equivalent.)

**Line 10:** 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 on Form 1120.

**Line 11:** 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
- Portfolio income
- Net income from other rental activities
- Interest income
- Dividend income
- Royalty income
- Net short-term capital gain
- Other portfolio income
- Net long-term capital gain
- Guaranteed payments to partners
- Net gain under Section 1231 (other than due to casualty or theft)

**Line 12:** 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 13:** Enter the total of Lines 2 through 12, as applicable.

**Line 14:** 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 long-term capital loss
- Net short-term capital loss
- Net loss under Section 1231 (other than due to casualty or theft)
- Charitable Contributions
- Expense deductions for recovery property (Section 179)
- Deductions related to portfolio income

**NOTE:** Contributions to KEOGH Plans, Simplified Employee Pension Plans, and Medical Insurance Premiums on behalf of partners or shareholders are not deductible on Form OL.

**Line 15:** Adjustments can be made on Form OL if any sum is elected by the licensee as a credit against its federal income tax liability in lieu of a deduction for business expenses otherwise available to the licensee. Included in this list are the following:

- (1) If wage and salary expense is being reduced as a result of the work opportunity credit.
- (2) If the depreciable basis of an asset was reduced by the amount of investment credit claimed, ACRS depreciation may be taken on that basis reduced over the life of the asset.

**Line 16:** Corporate taxpayers may deduct, if substantiation is provided by including a completed copy of Schedule C of the Federal Form 1120, the following amounts (net of the deductions properly allocated thereto) without proof of non-unitary source:

- Foreign rental income
- Foreign dividend income
- Interest earned on U.S. Obligations
- Ordinary income or loss from other partnerships or S-Corporations which is included in income on Line 8 or Line 9 of Form OL. (Please note the occupational number of the account under which the income is being reported.)
- Foreign royalty income
- Foreign capital gains

**Line 17:** Enter the amount of professional expenses claimed by the partners on their individual Form 1040 which are related to, but not reimbursed by, the partnership. (Include a schedule listing partners name(s), the type of deduction, and the amount of each deduction.)

**Line 18:** Enter the total of Lines 14 through 17, as applicable.

**Line 19:** Subtract Line 18 from Line 13. This entry represents your "**Adjusted Net Profit**" which is also entered on Line 24.

**Lines 20-23:** All licensees who conducted a business activity in Lincoln County, Kentucky, must complete Lines 20-23, regardless of profit or loss, if total gross receipts and payroll were not confined solely to Lincoln County, Kentucky. All percentages should be carried out five (5) decimal places. (**EXAMPLE:** "22.12345%" or ".2212345") Gross figures must be used when completing Lines 20 and 21.

**Line 20(a): "Lincoln County, KY"** - Enter total gross receipts from sales made or services performed in Lincoln County, Kentucky.

**Line 20(b): "Total Everywhere"** - Enter total gross receipts (less returns and allowances) from sales made or services performed everywhere for your total operation per the Federal return.

**Line 20(c): "Lincoln County Percentage"** - Divide the entry in Column A of Line 20, by the entry in Column B of Line 20. Enter the resulting percentage on Line 20, Column C. The percentage should be carried out five (5) decimal places.

**Line 21(a): "Lincoln County, KY"** - Enter total gross wages paid to employees for work performed within Lincoln County, Kentucky. **NOTE:** This does include compensation of officers, but not contract or sub-contract labor.

**Line 21(b): "Total Everywhere"** - Enter total gross wages paid to employees everywhere per the Federal return. **NOTE:** This does include compensation of officers, but not contract or sub-contract labor.

**Line 21(c): "Lincoln County Percentage"** - Divide Line 21, Column A by Line 21, Column B and enter the result. The percentage should be carried out five (5) decimal places.

**Line 22: "Total Apportionment Percentage for Lincoln County, Kentucky"**- Add Line 20, Column C to Line 21, Column C and enter the result. The percentage should be carried out five (5) decimal places.

**Line 23: "Apportionment Percentage"** - If both Lines 20 and 21 are applicable, divide the entry on Line 22 by 2, and enter the result on Line 23, and Line 24, Column A of the front page. If either Line 20 or Line 21 is applicable, but not both, then the entry in Line 22 should be transferred to Line 23 and Line 25, Column A of the front page. The percentage should be carried out five (5) decimal places.

**Line 24:** Enter the **Adjusted Net Profit** figure from Line 19.

**Line 25:** Insert the percentage from Line 23. Enter 1.00000 (100%) in Column A if taxpayer's total business operations are in Lincoln County, Kentucky. The percentage should be carried out five (5) decimal places.

**Line 26:** Multiply the entry on Line 24 by the percentage on Line 25, Column A, and enter the result in Column A.

**Line 27:** Enter the amount of wages from Line 1(e) earned while working in Lincoln County, Kentucky, in Column A. If you had other sources of income from which occupational taxes were not withheld, you are required to complete Lines 2 through 19.

**Line 28:** Add the entries on Lines 26 and 27, and enter the greater of the total of Line 26 plus Line 27, or Line 27. **[NOTE:** Line 28 cannot be less than Line 27. If you had a loss from a business operation, you may not offset your loss against wages reported on Line 1(e).]

**Line 29: "Tax Calculations"** - Multiply Line 28, Column A, by the Lincoln County tax rate of .01000 and enter the results in Column A.

**Line 30: Total Occupational Tax Due** - Enter the result of Line 29.

**Line 31:** Enter any credit due from prepayments of estimated tax for the tax year in Line 31(a).

**Line 32: Balance of Occupational Tax Due** - Subtract Line 31 from Line 30, and enter the result.

**Line 33:** Penalty and interest charges resulting from late filing or late payment of the occupational tax should be entered on Line 33. (See "Penalty and Interest" on page 2 of the Instructions)

**Line 34: Amount To Be Paid** - Add Lines 32 and 33 and enter the result. The amount on this line reflects the total liability for the tax year. Payment of the total tax liability including, penalty and interest charges, should accompany the return as filed.

Records supporting the amounts reported as taxable to Lincoln County, Kentucky, should be retained five (5) years and must be presented upon request.