CITY OF COVINGTON, KENTUCKY ANNUAL OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL RETURN FORM OL-3

www.covingtonky.com (859)292-2183 fax (859)292-2131

Taxable Year Ended		
Month	Day	Year

Print Business Name & Address

Business Entity:
- ☐ Individual
- ☐ Partnership
- ☐ Corporation
- ☐ Other _____

NOTE: The Annual Occupational Fee & the $50 Business License Renewal Fee is Due to Maintain a Current License for the Year

Account #

Social Security# or Federal ID #

Remit To:
CITY OF COVINGTON
638 Madison Ave.
Covington, KY 41011

Due the 15th Day of the 4th Month Following the Close of the Taxable Year

☐ Final Return (Check only to Inactivate Account. Complete Questions Below) ☐ No business activity within Covington during the taxable year

A) ☐ **COVINGTON BUSINESS LICENSE RENEWAL ONLY** (Complete All Questions and Go To Line 12, **ONLY** if no activity during taxable year)

B) If business entity is exempt from paying the occupational fee, state why. ☐ No business activity within Covington during the taxable year

☐ 1 rental unit within Covington and total gross residential rents from all units < $6,000 ☐ Nonprofit entity with no unrelated business income

☐ Other_____ C) Business Phone #_____ D) Principal business activity_____

E) Did the business have employees working within Covington during the taxable year? ☐ No ☐ Yes (If Yes, Indicate the number)_____

F) If business activity was discontinued within Covington, enter the date business ceased operations and state why_____ ☐ Dissolution

☐ Sale. If by sale, give name and address of successor_____ ☐ Other_____

G) Is the Business Entity an Affiliate of a Consolidated Corporate Federal Return? ☐ No ☐ Yes (If Yes, See Specific Instructions for Documentation Requirements)

IMPORTANT

Attach Federal Return

- ☐ Schedule C
- ☐ Schedule E
- ☐ Form 4797
- ☐ Form 6252
- ☐ Form 1065
- ☐ Form 1120S
- ☐ Form 1120
- ☐ Form 8825

Other _____

****IMPORTANT****

CREDIT Line 12 ONLY if a Countywide or Covington Only Business License Renewal was purchased from Kenton County. Attach Kenton County and Cities' Annual Business License Renewal

PART IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION

1) Adjusted Net Income (See Reverse, Line L of Part I)	
2) Business Apportionment (Enter 100% or See Reverse, Line 4 of Part III)	
3) Taxable Net Profit (Multiply Line 1 by Line 2)	
4) Occupational Fee (Multiply Line 3 by 2.5%)	
5) Occupational Fee Due (Enter $50 minimum or Line 4, whichever is greater) (Maximum Occupational Fee Due is $40,000)	
6) Less Estimated Payments and Credits of Occupational Fee	( )
7) Balance Occupational Fee Due (Subtract Line 6 from Line 5)	
8) Penalty @ 5% per month or fraction thereof (Minimum $25, Max 25%)	
9) Interest @ 1% per month or fraction threreof from Due Date	
10) Total Occupational Fee Amount Due (Add Lines 7, 8, and 9)	
11) Business Renewal License Fee Due (Enter $50)	
12) Enter $50 Renewal Fee Credit (Enter $50 Renewal Fee Credit **ONLY** if proof of pymt is attached. Attach Kenton County and Cities' Business License Renewal Return Form ACC1)	( )
13) Total Occupational Fee and Business License Renewal Fee Due (Add Line 10 and Line 11. If applicable, Subtract Line 12)	
14) Overpayment of Fees Claimed (Enter **ONLY** if Line 13 is negative) ☐ Refund ☐ Credit to next year estimated payment	( )

RETURN MUST BE SIGNED - I hereby certify, under penalty of perjury, that the statements made herein and in any supporting schedules are true, correct, complete, and to the best of my knowledge.

PREPARER'S SIGNATURE DATE LICENSEE'S SIGNATURE DATE

PRINT NAME SS# PRINT NAME TITLE

IMPORTANT Enclose Copy of Applicable Federal Form(s)	CITY OF COVINGTON NET PROFIT WORKSHEET	Account #

PART I: ADJUSTED NET INCOME

BUSINESS INCOME

A) All business entities enter the net profit or loss as shown on Federal Schedule C and/or E, the ordinary income or loss from Federal Form 1065 or Form 1120S, the taxable income AFTER special deductions and net operating loss from Federal Form 1120, the taxable income from Federal Form 1041, the unrelated business taxable income from Form 990T, or equivalent. _____

B) Individuals that report business income on Federal Schedule C and/or E, enter the gain or loss from the sale of business property used in a trade or business from Federal Form 4797 or 6252 reported on Schedule D _____

C) Partnerships and corporations that are pass-through entities for Federal tax purposes enter the additions from Schedule K of Form 1065, 1120S, or equivalent _____

D) All business entities enter other income items (See Specific Instructions) _____

E) Partnerships and corporations that are pass-through entities for Federal tax purposes enter the allowable subtractions from Schedule K of Form 1065, 1120S, or equivalent _____

F) TOTAL INCOME (Total of lines A through D less line E.) _____

ITEMS NOT DEDUCTIBLE - ADDITIONS TO TOTAL INCOME

G) All business entities add back the state income taxes and occupational license fees based on net or gross income deducted from the Federal return _____

H) Corporations add back the net operating loss allowed under Section172 of the Internal Revenue Code deducted from Federal Form 1120, 1120-REIT, 990T, or equivalent _____

ITEMS NOT TAXABLE - SUBTRACTIONS FROM TOTAL INCOME

I) All business entities subtract the alcoholic beverage sales deduction as calculated in Part II, Line 3 _____

J) All business entities enter other adjustments (See Instructions) _____

K) TOTAL ADJUSTMENTS (Add lines G and H then subtract lines I and J. Enter the total on line K) _____

L) ADJUSTED NET INCOME (Add lines F and K. Enter total here and on front, line 1 of Part IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION) _____

PART II: ALCOHOLIC BEVERAGE SALES DEDUCTION

NOTE: "Total Sales" is Total Gross Receipts of Business including Non-Alcoholic Beverage Sales

1) **DIVIDE→** Kentucky Alcoholic Beverage Sales / Total Sales = _____ %

2) Enter the total of line F of Part I: ADJUSTED NET INCOME _____

3) Alcoholic Beverage Sales Deduction (Multiply line 1 by line 2. Enter here and line I, Part I) _____

PART III: BUSINESS APPORTIONMENT

All licensees whose business operations were not conducted entirely in the City of Covington must complete this part, regardless of profit or loss. **DIVIDE↓**

	APPORTIONMENT FACTORS	COLUMN A City of Covington	COLUMN B Everywhere	COLUMN C A / B = C
1)	PAYROLL FACTOR Compensation Paid or Payable to Employees			%
2)	SALES FACTOR Gross Receipts from Sales, Rents, Work or Services Performed			%
3)	TOTAL PERCENTAGES (Add Lines 1 and 2 of Column C)			%
4)	**BUSINESS APPORTIONMENT** (If your business had both a sales factor and a payroll factor, then divide line 3 by two (2). However, if the business had either a sales factor or a payroll factor, but not both, then enter the single factor percentage here and on front, Line 2 of Part IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION.)			%

CITY OF COVINGTON, KENTUCKY ANNUAL OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL RETURN FORM OL-3
GENERAL INSTRUCTIONS

The following instructions are provided to aid the licensee in the computation of the OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL RETURN FORM OL-3. They are not intended to be all-inclusive and therefore should be used only as a supplement to the existing LICENSES and OCCUPATIONAL LICENSE TAX ORDINANCE. If you have any questions that are not addressed in these instructions please refer to COVINGTON, KY CODE OF ORDINANCES CHAPTER 10.21 GENERAL PROVISIONS: LICENSES and CHAPTER 110: BUSINESS AND OCCUPATION LICENSE FEES.

Who must file the OCCUPATIONAL FEE FORM OL-3:

Except as provided in §110.04 of the City of Covington, Kentucky Code of Ordinances, every person or business entity engaged in any business, trade, occupation, or profession and any person or business entity that makes a filing with the Internal Revenue Service or the Kentucky Revenue Cabinet shall be required to file and pay to the City an annual OCCUPATIONAL FEE at a rate of 2.5% of net profits and/or 2.5% of the total gross compensation, for the privilege of engaging in such activities within Covington.

Who must file the BUSINESS LICENSE RENEWAL RETURN FORM OL-3

Every business entity that intends to operate in the City of Covington, other than those who are only so engaged as an employee, is required to obtain a BUSINESS REGULATORY LICENSE from the City before the commencement of business, pursuant to KRS 82.082, for the purpose of regulating business activities and operations within the City, including, police power thereof, to provide the funds necessary to pay the expenses of, without limitation, issuing BUSINESS REGULATORY LICENSES and pay to the City a BUSINESS LICENSE RENEWAL FEE in the amount of either $50 or that part of a multi-jurisdictional occupational permit fee, collected by the county and proportionally allocated to the City for a single multi-jurisdictional annual occupational per fee of $225.

AN OCCUPATIONAL FEE RETURN FORM OL-3 MUST BE FILED EVEN IF:

1) Your business activity resulted in a **loss** for the tax year. Complete the tax return according to the specific instructions. NOTE: The minimum occupational fee of $50 is due for the current taxable year in which business was conducted. A $50 BUSINESS LICENSE RENEWAL FEE is due if operations are expected to continue after the current taxable year.
2) Your business was operational for a portion of the current taxable year, but **ceased operation** prior to the completion of the current taxable period. **NOTE:** The greater of 2.5% of net profits or the minimum occupational fee of $50 is due for the current taxable year in which business was conducted. Check the box labeled "FINAL" ONLY if operations are not expected to continue after the current taxable year. Complete the tax return according to the specific instructions provided. Note that question F) must be completed in its entirety.
3) You were **not actively engaged in business during the current taxable year,** but do intend to resume operations the next taxable year. Check the box labeled "No Activity". No OCCUPATIONAL FEE is due for the current taxable year; however, the BUSINESS LICENSE RENEWAL FEE of $50 is due. Check box A), complete all questions, and skip to PART IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION, Line 6.
4) Your business **activity ceased prior to the beginning of the current taxable year**, but you have not provided written notification that operations ceased and your business does **NOT** intend on resuming operations within Covington at a future date. Check the boxes labeled "No Activity" and "FINAL". Complete question F) in its entirety. No occupational fees or business license renewal fees are due for the current taxable year The current taxable form must be signed and returned to the City of Covington. NOTE: Your business license account can not be inactivated until the "FINAL" OCCUPATIONAL FEE & BUSINESS LICNESE RENEWAL RETURN FORM OL-3 for the taxable year in which business ceased has been filed and paid.
5) You applied for a tax number with the intention of starting a business, but **never transacted business** within the City of Covington and do not intend to do so in the future. Check the boxes labeled "No Activity" and "FINAL". No OCCUPATIONAL FEES OR BUSINESS LICENSE RENEWAL fees are due for the tax year; however, the form must be signed and returned to the City of Covington.

EXEMPTED OCCUPATIONAL FEE ACTIVITIES

The following businesses are exempt from the OCCUPATIONAL FEE, however, **are required to file a Form OL-3**:

1) Any business entity engaged in the letting or rental of any dwelling unit in the City that owns no more than one dwelling unit for lease in the City and whose rents from all dwelling units owned, whether within or outside the City when taken together, do not exceed $6,000,
2) Persons whose sole business activity is the manufacture of and/or sale of alcoholic beverages. Persons engaged in the business of manufacturing and/or selling alcoholic beverages are required to file a return, but may exclude the portion of their net profits derived from such manufacturing and/or sale of alcoholic beverages,
3) Nonprofit organizations, as determined by the Internal Revenue Service approval of not-for-profit status. To qualify for this exemption, the organization must submit satisfactory proof of their exempt status for federal income tax purposes. If any part of the earnings of such business inures to the benefit of any person, it shall be sufficient to defeat the exemption. If an organization earns "unrelated business income" as defined and administered in Section 511 of the Internal Revenue Code, an OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE is assessed on the "unrelated business income".

DUE DATE: April 15th following the close of the calendar year or the 15th day of the 4th month following the fiscal year.

FILING EXTENSIONS, PENALTIES, AND INTEREST

1) The City may grant any business entity an extension to **FILE** FORM OL-3 of not more than six (6) months, unless a longer extension has been granted by the Internal Revenue Service or a longer extension is agreed to by the City and the business entity. An extension will only be granted if the business entity, on or before the date prescribed for payment of the OCCUPATIONAL FEE and the BUSINESS LICENSE RENEWAL FEE, requests the extension and pays the amount properly estimated as its fees.
2) A business entity subject to tax on net profits may be subject to a **penalty** equal to **five percent (5%)** of the occupational fee due for each calendar month or fraction thereof if the business entity:
   a) **Fails to file** any return or report on or before the due date prescribed for filing or as extended by the City; or
   b) **Fails to pay** the occupational fee computed on the return or report on or before the due date prescribed for payment.

   The total penalty levied pursuant to this subsection shall **not exceed twenty- five percent (25%)** of the total occupational fee due; however, the penalty shall **not be less than twenty-five dollars ($25)**. The late payment penalty is not assessed on payments received by the extension period granted if the estimated payment received on or before the date prescribed for payment is 90% of the occupational fee liability.
3) In addition to the penalties prescribed in this section, any business entity shall pay, as part of the occupational fee, an amount equal to twelve percent **(12%) per annum simple interest** on the occupational fee shown due, but not previously paid, from the time the occupational fee was due until the occupational fee is paid to the City. A fraction of a month is counted as an entire month.

SEPARATE ACCOUNTING METHOD is not permitted. Therefore, if a business entity has operations both inside and outside Covington, the total income or loss reported on the Federal return of the business entity is reported on the City return and apportioned to Covington by multiplying the total adjusted net profit by the BUSINESS APPORTIONMENT percentage determined in PART III.

CITY OF COVINGTON, KENTUCKY ANNUAL OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL RETURN FORM OL-3 SPECIFIC INSTRUCTIONS

Enter the following information into the appropriate boxes:

- **TAXABLE YEAR ENDED** - Enter the calendar year or fiscal year ending upon which the basis of net income is computed for Federal income tax purposes.
- **ACCOUNT # - Enter the number assigned by the City of Covington that was issued upon receipt of the APPLICATION FOR AN OCCUPATIONAL LICENSE**
- **SOCIAL SECURITY # or Federal ID #** - Enter the social security number or the Federal identification number under which the business income is filed for Federal income tax purposes.
- **BUSINESS ENTITY** - Enter the form of legal entity under which the business operates for Federal income tax purposes.
- **FINAL RETURN** - Check only if your business has ceased operations within Covington and does NOT intend on resuming operations at a future date. Complete the return according to the instructions provided.
- **NO BUSINESS ACTIVITY WITHIN COVINGTON DURING THE TAXABLE YEAR - Check only if your business was NOT actively engaged in operations during the taxable year. No OCCUPATIONAL FEE is due; however, the BUSINESS LICENSE RENEWAL FEE of $50 is due if you intend on resuming operations at a future date.**

All questions must be answered completely. If the question does not apply to the business indicate "NA".

Line A: Check ONLY if NO business activity was conducted within Covington during the current taxable year, but you do intend to resume operations at a future date. No OCCUPATIONAL FEE is due for the current tax year; however, the BUSINESS LICENSE RENEWAL FEE of $50 is due. Complete all questions and go to line 12.

Line B: If no payment is due for the OCCUPATIONAL FEE because the business entity is exempt from the occupational fee, indicate the reason for the exemption.

Line C: Enter the business telephone number.

Line D: Enter a brief explanation of the nature of your regular trade or business operations within the City of Covington.

Line E: Indicate if the business had employees working within Covington. If yes, enter the number of employees.

Line F: If the business was discontinued in the current taxable year or a prior year, enter the date the business ceased operations within the City of Covington. In addition, indicate the reason why the business activity was discontinued. If the business was sold, enter the name and address of the purchaser.

Line G: Indicate if the business entity is an affiliate of a consolidated corporate Federal return. If a corporation which is subject to the occupational fee return is included in a consolidated return, the corporation must submit the following:

1) an OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE RETURN FORM OL-3 based upon the taxable income (or loss) of the affiliate corporation subject to the business license return, 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.

Business entities classified as disregarded entities for Federal income tax purposes have the same classification for City purposes and are treated as divisions.

**********IMPORTANT**********

Attach a copy of the appropriate Federal income tax return in which business income is reported for Federal income tax purposes. Include all forms and schedules required for Federal income tax purposes. Indicate the Federal tax returns included.

- **SCHEDULE E** SUPPLEMENTAL INCOME AND LOSS - Sole proprietors and single-member limited liability companies (LLC) report rental income from real estate and royalties.
- **SCHEDULE C** PROFIT OR LOSS FROM BUSINESS - Sole proprietors and some State classified single-member LLCs report business income.
- **FORM 4797** SALES OF BUSINESS PROPERTY - Business entities report the sale or exchange of property used in a trade or business.
- **FORM 6252** INSTALLMENT SALE INCOME - Business entities report the income from casual sales of real or personal property.
- **FORM 1065** U.S. RETURN OF PARTNERSHIP INCOME - Partnerships, as designated for Federal income tax purposes, report business income. May include State classified dual-member LLCs.
- **FORM 1120** U.S. CORPORATION INCOME TAX RETURN - Corporations, as designated for Federal income tax purposes, report business income, unless exempt under section 501 of the IRS Code.
- **FORM 1120S** U.S. INCOME TAX RETURN FOR AN S CORPORATION - Businesses that have elected to be an S corporation for Federal income tax purposes, report business income.
- **FORM 8825** RENTAL REAL ESTATE INCOME AND EXPENSES OF A PARTNERSHIP OR AN S CORPORATION - Partnerships and S corporations use to report income and deductible expenses form rental real estate activities, including net income (loss) from rental real estate activities that flow through from partnerships, estates, or trusts.
- **OTHER FORMS**: **Schedule F** - Sole proprietors report income from farming; **Form 8824** to report like-kind exchanges; **Form 1120-REIT** U.S. INCOME TAX RETURN FOR REAL ESTATE INVESTMENT TRUSTS - Corporations, trusts, or associations that have elected to be a real estate investment trust for Federal income tax purposes, report business income; **Form 1041** U.S INCOME TAX RETURN FOR ESTATES AND TRUSTS; **FORM 990T** EXEMPT ORGANIZATIONS BUSINESS INCOME TAX RETURN - Organizations exempt under Section 501(a) or Section 529(a) of the IRS Code report income if it had gross income from an unrelated trade or business of $1,000 or more; etc.

PART IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION

Line 1: Complete PART I: ADJUSTED NET INCOME, then enter the total on line 1.

Line 2: Enter 100% if business was conducted entirely within the City of Covington or Line 4 of PART III: BUSINESS APPORTIONMENT if business was conducted within and without the City of Covington

Line 3: Multiply line 1 by line 2. Enter the amount on line 3.

Line 4: Multiply line 2 by 2.5%. Enter the amount on line 4.

Line 5: Enter line 4 or $50, whichever is greater. Do not enter more than $40,000.

Line 6: Enter any credits due from prepayment of estimated occupational fee for the taxable year on line 6.

Line 7: Subtract line 6 from line 5. Enter the amount on line 7.

Line 8: Multiply line 7 by 5% for every month or fraction thereof , not to exceed 25% with the minimum of $25, if the OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL RETURN FORM OL-3 is not filed by the due date or the extended due date granted or if 90% of the occupational fee liability is not paid by the due date. Enter the total on line 8.

Line 9: Multiply line 7 by 1% for every month or fraction thereof, if the occupational fee liability is not paid by the due date. Enter the total on line 9.

Line Add lines 7, 8, and 9. Enter the total on line 10.

Line 11: Enter $50 for the COVINGTON BUSINESS LICENSE RENEWAL FEE if your business intends on conducting business activity within Covington.

Line 12: Enter $50 BUSINESS LICENSE RENEWAL FEE CREDIT on line 12 **ONLY** if a Countywide or Covington only business license renewal was purchased from Kenton County. Credit will only be allowed if proof of payment and the Kenton County and Cities' Business License Renewal Return Form ACC1 is attached.

Line 13: Add lines 10 and 11. If applicable, subtract Line 12. If the balance is a positive number, then enter the total fees due on line 13 and pay the OCCUPATIONAL FEES and the BUSINESS LICENSE RENEWAL FEE amounts due. If the balance is negative, go to line 14.

Line 14: If Line 13 is a negative number enter the total fee overpayment on Line 14. Indicate if you desire to have the overpayment refunded or credited to next year's estimated payment.

PART I: ADJUSTED NET INCOME

Line A: All business entities enter the net profit or loss as shown on Federal Schedule C, E, and/or F, the ordinary income or loss from Federal Form 1065 or Form 1120S, the taxable income AFTER special deductions and net operating loss from Federal Form 1120, the taxable income AFTER net operating loss, total deduction for dividends paid, and section 857(b)(2)(E) deduction from Federal Form 1120-REIT, the taxable income from Federal Form 1041, or the unrelated business taxable income from Federal Form 990T.

Lines B through H are taxable income items which must be included in the adjusted net profit in order to determine the total net profit license fee due. For items that do not apply to your business, enter 0 on the appropriate line.

Line B: For individuals or sole proprietors that report business income on Federal Schedule C, E, and/or F, 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 or Form 6252.)

Line C: For partnerships or corporations that are pass-through entities for Federal tax purposes, the following income items which are allocated to the partners and shareholders on Federal Schedule K are not included as income on Federal Form 1065 or 1120S; therefore, they must be added to business income. Add the total income items from Schedule K and enter the amount on Line C.

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

Line D: If a deduction is taken for any other amount which is deemed a taxable income item, then enter the amount on line D. For real estate investment trusts, if a deduction is taken on Federal Form 1120-REIT for total dividends paid and Section 857(b)(2)(E), then the amount of the total deductions must be added back to business income. Enter the amount on line D. For estates and trusts, if a deduction is taken on Federal Form 1041 for income distribution deduction, then the amount of the total deduction must be added back to business income. Enter the amount on line D.

Line E: For partnerships or corporations that are pass-through entities for Federal income tax purposes, the following items which are allocated to the partners and shareholders on Federal Schedule K are not included as losses or expenses on Federal Form 1065 or Form 1120S, however, are allowed as deductions for net profit license fee purposes. Add the total loss and deduction items from Schedule K and enter the amount on line E.

*Net loss from rental real estate activities
*Net loss from other rental activities
*Portfolio loss
*Deductions related to portfolio income
*Expense deductions for recovery property (Section 179)
*Net short-term capital loss
*Net long-term capital loss
*Charitable Contributions
*Net loss under Section 1231(other that due to casualty or theft)

NOTE: Contributions to KEOGH Plans, Simplified Employee Pension Plan, and Medical Insurance Premiums paid on behalf of partners and deducted on Schedule K of Form 1065 are not deductible on the OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL RETURN FORM OL-3.

PART I: ADJUSTED NET INCOME

Line F: ADD Lines A through D less line E. Enter the amount on Line F.

Line G: If a deduction is taken on Schedule C, E, and/or F, Form 1065, Form 1120, Form 1120S, Form 1120-REIT, Form 1041, or Form 990T for state or local taxes based on gross or net income, regardless of jurisdiction, then enter the amount of those taxes on Line G.

Line H: For corporations, if a deduction is taken on Federal Form 1120, Form 1120-REIT, or 990-T for a net operating loss, then the amount of the net operating loss must be added back to business income. Enter the net operating loss amount on line H.

Lines I and J are non-taxable items which must be excluded from the adjusted net profit in order to determine the total occupational fee due. For items that do not apply to your business, enter 0 on the appropriate Line.

Line I: For all business entities that sell alcoholic beverages, complete PART II: ALCOHOLIC BEVERAGE SALES DEDUCTION. Enter the total on Line I. NOTE: A deduction may be taken only if the business engaged in the selling of alcoholic beverages had a profit.

Line J: If any other income included on line F is deemed not subject to the license fee then enter the amount on line J and attach a full explanation, including the amounts of all items. The following items are non-taxable items and are excluded from adjusted net profit.

*For partnerships, enter any amount of professional expenses claimed by the partners on their individual Form 1040 which are related to, but not reimbursed by the partnership, (Attach Form 1040 and include a schedule listing partners name(s), the type of deduction and the amount of each deduction.)

*If a credit is taken against the federal income tax liability in lieu of a deduction for business expense otherwise available to the licensee, the business expense available for reduction as a result of the credit is a non-taxable item,

*Foreign dividend gross-up under Section 78 of the IRS Code,

*Income from controlled foreign corporations,

*Interest earned on U.S. Obligations, and

*Ordinary income or (loss) from other partnerships or S Corporations which is included in income on Line F of this part.

Line K: ADD Lines G and H, then subtract lines I and J. Enter the total on Line K.

Line L: Add lines F and K. Enter the ADJUSTED NET INCOME amount on line L and on the front page, line 1 of PART IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION. Go to PART IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION.

PART II: ALCOHOLIC BEVERAGE SALES DEDUCTION

Persons having a portion of their business activity being derived from the manufacturing and/or selling of alcoholic beverages may exclude that portion of their net profits derived from such sale of alcoholic beverage. A deduction may be taken only if the business engaged in the selling of alcoholic beverages had a profit.

Line 1: Divide the total Kentucky alcoholic beverage sales by the total gross receipts of the business, including the non-alcoholic beverage sales. Enter the amount on line 1.

Line 2: Enter the total income amount from line F of Part I: ADJUSTED NET INCOME.

Line 3: Multiply line 1 by line 2. Enter the amount on line 3 and on line I of Part I: ADJUSTED NET INCOME. Go to Part I.

PART III: BUSINESS APPORTIONMENT

- If 100% of your business is conducted within the City of Covington, do not complete PART II: BUSINESS APPORTIONMENT. Go to Page 1, Line 2 of PART IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION and enter 100%, then follow the instructions for PART IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION.
- All licensees whose business operations were not conducted entirely in the City of Covington must complete PART III: BUSINESS APPORTIONMENT, regardless of profit or loss.

Payroll Factor

Line 1, Column A: Enter the total compensation paid to employees for services rendered within the City of Covington during the period covered by the tax return.

Line 1, Column B: Enter the total compensation paid to employees for services rendered everywhere during the period covered by the tax return.

Line 1 Column C: Divide Column A by Column B. Enter the result on Line 1, Column C.

Sales Factor

Line 2, Column A: Enter the total gross receipts from sales, rents, and services in the ordinary course or usual trade of business earned within the City of Covington during the period covered by the tax return.

Line 2, Column B: Enter the total gross receipts from sales, rents, and services in the ordinary course or usual trade of business earned everywhere during the period covered by the tax return.

Line 2, Column C: Divide Column A by Column B. Enter the result on Line 2, Column C.

Business Apportionment

Line 3, Column C: Add Column C, Lines 1 and 2. Enter the result on Line 3, Column C.

Line 4, Column C: Divide Line 3, Column C by the number of percents used on Lines 1 and 2, Column C. Enter the result on Line 4, Column C and Page 1, Line 6 of PART IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION, then follow the instructions for PART IV: OCCUPATIONAL FEE & BUSINESS LICENSE RENEWAL FEE COMPUTATION.