

# City of Madisonville, Kentucky

## Net Profit License Fee Return Instructions

The City of Madisonville Net Profit License Fee is levied at the annual rate of 2.5 percent of the net profits of all occupations, trades, professions or other businesses engaged in said activities in the City. Specifically included within the foregoing is rental income received from the leasing or rental of real and/or personal property located within the city limits of Madisonville, Kentucky subject to the following exemption: the license fee shall not apply to net income received from the leasing or rental of less than four (4) residential rental units per year. 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 Limits of Madisonville 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 licensee 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 Finance Director, City of Madisonville.

### Basis of License Fee

In computing the amount due, the licensee begins with gross income less total deductions as shown by their Federal Tax form shown below. **A copy of the completed applicable tax form MUST accompany the Net Profit License Fee Return.**

Individual Proprietorship	Schedule(s) C, E - 1040 Federal Tax Form
Fiduciary	Federal Tax Form 1041, Schedule E (if applicable)
Partnership	Federal Tax Form 1065, Form 8825 (if applicable)
Corporation	Federal Tax Form 1120/1120S, Form 8825 (if applicable)

### Instructions for All Licenses

#### Section A

Lines 1 through 8 are questions which must be answered by each Licensee. Please answer each question completely.

#### Section B

- Line 9 Enter Gross income as shown by the appropriate Return.
- Line 10 Enter total deductions as shown by the Return.
- Line 11 Enter Net Income as shown by the Return.
- Line 12 Add items not deductible totaled on Line H of Section C.
- Line 13 Total Lines 11 and 12.
- Line 14 Deduct items not subject totaled on Line N of Section C.
- Line 15 Enter Line 13 less Line 14.
- Line 16 Enter average percentage as determined in Section D.
- Line 17 Enter profits subject to Madisonville License Fee – Line 15 X Line 16.
- Line 18 Enter 2.5% of Line 17.
- Line 19 Deduct credits of minimum license fees, restaurant tax paid, estimated payments.
- Line 20 Balance (Line 18 less Line 19)
- Line 21 Enter Interest.
- Line 22 Enter Penalty.
- Line 23 Enter amount due, Line 20 plus Line 21, plus Line 22. (Pay this amount to the Finance Director, City of Madisonville)

- If an extension is necessary, a written request and copy of Federal application for extension must be submitted to the City of Madisonville before the due date of the Net Profit License Fee Return. If extension is granted, enter date on Line 22. Interest remains due from original due date (See Line 21).

#### Section C

Section C is provided for the licensee to add (Lines A-H) 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 12. Lines I-N of Section C provide for the specific deduction of items not subject to the License Fee. Many of these items are only taxable for Federal Income Tax purposes so they must be deducted on Line 14. Attach applicable schedule explaining any deduction on Line M.

#### Section D

Section D must be completed by taxpayers with business receipts and/or payroll, both within and without the city limits of Madisonville. Completion of the schedule allocates to Madisonville the proportionate part of the taxpayer's total business activity attributable to Madisonville. **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 R of Section D).**

**Any questions should be directed to the Finance Director, P.O. Box 1270, Madisonville, KY 42431. Phone (270)824-2107**