

INSTRUCTIONS

The City of Berea Net Profits License Fee was levied at the annual rate of 2% effective August 1, 1991, on the net profit of all occupations, trades, professions or other businesses engaged in said activities within 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 City of Berea Form 8 is to be filed by all subject businesses (having receipts and/or payroll within the City of Berea) and must be based on the net income as reported to the Federal Government; therefore, the basis used (i.e. cash or accrual) must be consistent for both Federal Income Tax and City of Berea License Fee Returns. Form 8 must be filed before April 15 if the taxpayer is on a calendar year or 105 days after either the end of the fiscal year, sale, liquidation or transfer. Checks or money orders should be made payable to the City of Berea. The instructions below facilitate the computation of the Net Profits License Fee.

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. Deductions 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.

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 Return must be based.

- Individual Proprietorship .....U.S. Treasury Form 1040, separate Schedules C, E, and/or F
- Estates and Trusts .....U.S. Treasury Form 1041
- Partnerships .....U.S. Treasury Form 1065
- Corporation .....U.S. Treasury Form 1120 - Line 11

SCHEDULE A

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

- Line 1 - Gross Receipts income as shown by the appropriate Federal Return (each schedule requires a separate return)
- Line 2 - Enter total deductions as shown by Federal Return
- Line 3 - Enter Net Income as shown by the Federal Return
- Line 4 - Add subject items totaled on Line G of Schedule B
- Line 5 - Total lines 3 and 4
- Line 6 - Deduct items not subject totaled on Line N 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 City of Berea License Fee - Line 8 x Line 7
- Line 10 - Enter 2% of line 9
- Line 11 - Interest (Enter 5% per month, maximum of 25%, minimum \$25)
- Line 12 - Penalty: 10% of tax due or \$10.00, whichever is greater
- Line 13 - Total Lines 10, 11 and 12
- Line 14 - Deduct credits
- Line 15 - Enter amount due, Line 13 less Line 14 (Pay this amount to City of Berea)
- Line 16 - Enter credit to carryforward to future year (If Line 14 is greater than Line 13)
- Line 17 - Enter credit to be refunded ((If Line 14 is greater than Line 13)

FILING EXTENSIONS - The City has the authority to extend the time of filing the net profits license fee return. Such extension shall be upon the written request of the licensee and shall be received by the Accounts Receivable Specialist prior to the due date of the net profit license fee return. When applying for an extension, a written request shall be accompanied by a copy of the appropriate State and/or Federal applications for extension. Regardless of the extension approval, all license fees remaining unpaid after the original due date shall bear interest at the rate of 12% per annum until paid. In addition, these unpaid fees shall be subject to a 5% penalty per month (or fraction thereof) on the amount unpaid. The total penalty shall not exceed 25% of the total tax due; however, the penalty shall not be less than \$25.00. This penalty shall also apply to late filers.

SCHEDULE B

The computation of License Fees provides for the adjustment of income as shown by the Federal Income Tax Return. Schedule B is provided for the taxpayer 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 Schedule A. Lines H - M of Schedule B provide for the deduction of items not subject to the License Fee. Many of these items are taxable for Federal Income Tax purposes so they must be deducted on Line 6 of Schedule A.

INDIVIDUAL PROPRIETORSHIPS

Lines D,E,H,I and J are not applicable as they do not appear on Treasury Form 1040, Schedule C or F. Lines A and B are for the addition of State and Local Taxes based upon income and License Fee under this ordinance if either appears as a part of Line 2. US Treasury Form 1040 Schedule C or F does not include business capital gains. Line C should show such gains as 50% subject. Include in Line F, and itemize on a schedule other business income not included in total business receipts on the Federal Schedule C or F.

PARTNERSHIPS. ASSOCIATIONS. ETC.

Net operating loss deductions (Line D) do not appear on a Federal Partnership Return, therefore Line D is not applicable. Line E - All payments to partners deducted on U.S. Treasury Form 1065 - must be entered here and a schedule attached. Capital gains and losses should be entered 50% on Lines C and L respectively.

CORPORATIONS

Line E is not applicable. Net Income from U.S. Treasury Form 1120 and 1120-S should be adjusted by the items listed in Schedule B. Capital gains included in net Federal Return must be adjusted to eliminate any capital loss carry over. Capital losses are not allowable as a deduction on the Federal Return but are allowable as a deduction on Line L of Schedule B.

SCHEDULE C

Schedule C must be completed by taxpayers with business receipts (Line 1), or payroll (Line 2). Completion of the Schedule allocates to the City of Berea the proportionate part of the taxpayer's total business activity attributable to the City. However, if one of the two factors (business receipts or payroll) is missing, the remaining factor is the average or Business Allocation Percentage (Line 5 of Schedule C).

1. 'Business Receipts' means the sum total of gross receipts from sales plus gross credits or charges for work done or services performed.
2. 'Payroll' means total wages, salaries and other employee's personnel service compensation.