

USE THIS FORM NP TO FILE FOR PERIODS ENDING AFTER 12/31/2016

General Instructions

The following instructions are provided to aid the license tax payer in the completion of Form NP, Net Profit License Tax Return. These instructions are not intended to be all inclusive and therefore should be used only as a supplement to the existing Occupational License Tax ordinance and regulations for the City of Henderson and Henderson County Fiscal Court.

HOW THE NET PROFIT LICENSE TAX IS ASSESSED:

Form NP is required to be filed by a licensee that conducts business in the City of Henderson and/or Henderson County. For purposes of calculating the Net Profit License Tax due, business receipts resulting from business activity within the corporate city limits of Henderson shall be considered when determining the Net Profit License Tax due the City of Henderson. Business receipts resulting from business activity within Henderson County, occurring outside the corporate city limits of Henderson, shall be considered when determining the Net Profit License Tax due Henderson County Fiscal Court.

WHO MUST FILE FORM NP:

Corporations, partnerships, sole proprietors, estates and trusts, or other entities engaged in a business having:

1) Business activity in the City of Henderson and/or Henderson County and, 2) business nexus in the City of Henderson and/or Henderson County sufficient to justify the imposition of the license tax.

YOU MUST FILE FORM NP EVEN IF:

Your business activity resulted in a loss for the tax year. Complete form NP according to the instructions provided, sign the form and return to the City of Henderson and/or Henderson County Fiscal Court.

You were not actively engaged in business during the year but intend to resume operations at a future date. Indicate "No activity in jurisdictions during tax year" on Form NP, sign the form and return it to the City of Henderson and/or Henderson County Fiscal Court.

Your business activity ceased prior to the beginning of the tax year but you have not provided written notification that operations ceased. Indicate "No activity in jurisdictions during tax year" and "Final Return" on Form NP, complete question C, sign the form and return it to the City of Henderson and/or Henderson County Fiscal Court.

Your business was operational for a portion of the tax year but ceased operation prior to the completion of your federal tax year. Complete form NP according to the instructions provided and indicate "Final Return" on the form, complete question C, sign and return it to the City of Henderson and/or Henderson County Fiscal Court.

You applied for an Occupational License Tax account number with the intention of starting a business but never transacted business within the City of Henderson and/or Henderson County and do not intend to do so in the future. Indicate "No activity in jurisdictions during tax year" and "Final Return" on Form NP, complete question C, sign the form and return it to the City of Henderson and/or Henderson County Fiscal Court.

FORM NP DUE DATE:

The form NP Net Profit License Tax Return, must be filed and all taxes paid on or before the fifteenth day of the fourth month following the close of the licensee's federal tax year.

EXTENSION OF TIME TO FILE FORM NP:

IMPORTANT NOTE: When filing for an extension of time, that includes a payment, the licensee must indicate if the request is for the **City of Henderson, Henderson County** or is a **combined request for both**. **Any payment** made with a combined request must specifically identify the amount being paid on behalf of each jurisdiction. **If the payment breakdown is not specified, the Occupational Tax Administrator will determine allocation to the account.**

An automatic extension of six months will be granted to any business entity for filing its Net Profit License Tax Return if the business entity, on or before the date prescribed for payment of the occupational license tax, requests the extension and pays the amount properly estimated as its tax.

No standard form for requesting an extension of time for filing is prescribed. Any written communication from the applicant, or his attorney or accountant, will be acceptable if filed on or before the due date involved. Federal forms 4868, 8736, or 7004 will be accepted as a valid written request for extension, provided that the licensee's occupational license tax account number is plainly noted thereon. The extension request submitted by the licensee or his agent shall set out the licensee's name and account number, the period for which the extension of time for filing is desired, and the reason requested (Also see **IMPORTANT NOTE** above). An extension of time for filing the Net Profit License Tax Return does not extend the time for payment of the license tax. (See **IMPORTANT NOTE** above).

Interest at the rate of twelve (12) percent per annum shall apply to any unpaid license tax during the period of extension and shall be included with the amount remitted in payment of the license tax at the time of filing the Net Profit License Tax Return. No penalty shall be assessed in those cases in which all filing and payment requirements have in good faith been fulfilled and the final license tax and interest is paid with the filing of the Net Profit License Tax Return within the period as extended.

Any extension shall be granted with the understanding that all prior filing and payment requirements have been fulfilled (See **IMPORTANT NOTE** above). However, if upon further examination it becomes evident that prior filing and payment requirements have not been fulfilled; interest and penalty shall be assessed in full and in the same manner as though no extension had been granted.

Line-By-Line Instructions for Form NP, Net Profit License Tax Return

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to calculate the Net Profit License Tax Due the City of Henderson, generated from business activity within Henderson County, but outside the corporate city limits of Henderson. Use Column B of form NP to calculate the Net Profit License Tax Due the Henderson County Fiscal Court, generated from business activity within Henderson County, but outside the corporate city limits of Henderson.

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Tax Computation

- Line 1.** Enter the Adjusted Net Profit from Page 2, Part 1, Line 17.
- Line 2.** Enter the average allocation percentage from Page 2, Part II, Line 4.
- Line 3.** Taxable Net Profit. Multiply Line 1 by Line 2.
- Line 4.** Henderson County Fiscal Court Exemption is \$10,000.
- Line 5.** For Henderson County only, subtract Line 4 from Line 3.
- Line 6.** Occupational License Tax Rate 1%
- Line 7.** For City of Henderson, multiply Line 3 by Line 6.
For Henderson County, multiply Line 5 by Line 6.
- Line 8.** CITY OF HENDERSON—\$25 Minimum License Tax Due. (NOTE: The \$25 Minimum License Tax is not due if there was no business activity in the City of Henderson during the year.)

HENDERSON COUNTY FISCAL COURT—\$25 Minimum License Tax Due. (NOTE: The \$25 Minimum License Tax is not due if there was no business activity in Henderson County, outside the corporate limits of Henderson during the year.)
- Line 9.** City of Henderson (Column A): Compare amounts from Line 7 and Line 8. Enter the larger amount on Line 9.
Henderson County (Column B): Compare amounts from Line 7 and Line 8. Enter the larger amount on Line 9. **For Henderson County only**, if Line 7 exceeds \$2,000, enter \$2,000.
- Line 10.** Enter on Line 10 any credits due from estimated payments or credits carried forward from a previous filing period.
NOTE: Any overpayment of license tax to the City of Henderson, including payments made with an extension request, will not be allowed to offset any underpayment of license tax to Henderson County. Any overpayment of license tax to Henderson County, including payments made with an extension request, will not be allowed to offset any underpayment to the City of Henderson.
- Line 11.** If amount from Line 10 is larger than the amount from Line 9 enter **difference** as a refund or credit due. Please check box next to refund or credit to denote how you prefer the overpayment to be handled for your account. If no box is checked, overpayment will be applied as a credit.
NOTE: Any overpayment of license tax to the City of Henderson, including payments made with an extension request, will not be allowed to offset any underpayment of license tax to Henderson County. Any overpayment of license tax to Henderson County, including payments made with an extension request, will not be allowed to offset any underpayment to the City of Henderson.
- Line 12.** If amount from Line 9 is larger than Line 10; enter **difference** as license tax due.
- Line 13.** If the Net Profit License Tax Return is not filed, or an extension is not requested, by the due date of the return; or if the license tax due is not paid by the due date of the return, then penalty is assessed at the rate of five percent (5%) for each calendar month or fraction thereof that the return remains delinquent or the license tax remains unpaid. The total penalty due is up to twenty-five percent (25%) of the total license tax due; however the penalty will always be at least a minimum of twenty-five dollars (\$25).
- Line 14.** If the license tax due is not paid by the due date, interest is assessed at the rate of twelve percent (12%) per annum simple interest from the time the tax was due until the tax is paid. A full months' interest of one percent (1%) of the tax due is assessed on the first day after the due date of the Net Profit License Tax Return and on the first day of each succeeding calendar month that the license tax remains unpaid.
- Line 15.** Add Lines 12, 13, and 14. This is the total license tax, penalty and interest due.
- Line 16.** Add Line 15 Column A to Line 15 Column B to determine the payment due with form NP.

NOTE: Any overpayment of license tax to the City of Henderson, including payments made with an extension request, will not be allowed to offset any underpayment of license tax to Henderson County. Any overpayment of license tax to Henderson County, including payments made with an extension request, will not be allowed to offset any underpayment to the City of Henderson. Any payment made with the extension request must specifically identify the amount being paid on behalf of each jurisdiction. If the payment breakdown is not specified, the Occupational Tax Administrator will determine allocation to the account.

PART I: SPECIFIC INSTRUCTIONS TO CALCULATE ADJUSTED NET PROFIT

**READ THE INSTRUCTIONS BELOW FOR THE ITEMS THAT APPLY TO YOUR OPERATIONS
BEFORE COMPLETING FORM NP.**

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Use Part I to calculate subject earnings for the City of Henderson and/or Henderson County. Attach to NP Form along with all applicable Federal Forms and Schedules. The forms are designed to accommodate the filing needs of individuals, partnerships, and corporations. You should complete only those items that apply to your operation:

1099 MISC—Individuals receiving payments for contract services (non-employee compensation) who are not claiming business expenses. You must complete PART I Lines 1, 12, 17 under column—“**INDIVIDUAL**” as applicable, PARTS II and III as applicable and complete Form NP.

Schedule C, E, or F—Individuals receiving income from the operations of a trade, business or profession. Complete PART I Lines 2 through 17 under the column marked - “**INDIVIDUAL**” as applicable, PARTS II and III if applicable, and complete Form NP.

Form 1065 Partnerships—Complete PART I Lines 7 through 17 under the column marked—“**PARTNERSHIP**” as applicable, PARTS II and III if applicable, and complete Form NP.

Form 1120, 1120A, 1120S, 1120H Corporations—Complete Lines 8 through 17 under the column marked—“**CORPORATION**” as applicable, PARTS II and III if applicable, and complete Form NP.

- Line 1:** Enter the amount of non-employee compensation reported on Federal Form 1099 MISC or the amount of other income per Form 1040.
NOTE: Line 1 should be completed **only** by individuals who received payments for contract services who are not claiming business expenses. Attach a copy of Form 1099 MISC.
- Line 2:** Enter the net profit or loss as shown on Federal Schedule C. Attach copy of page 1 and 2 of Schedule C, or the Schedule C-EZ.
- Line 3:** 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 the trade or business. Attach a copy of Form 4797, pages 1 and 2, Form 6252.
- Line 4:** Enter the total rental income or loss per Federal Schedule E. Attach a copy of Federal Schedule E of Form 1040.
- Line 5:** Enter the net farm profit or loss per Federal Schedule F or Form 4835. Attach a copy of Federal Schedule F or Form 4835.
- Line 6:** Enter the net gain or loss from the sale of property used in your trade or business per Federal Form 4797. Attach copy of Form 4797, pages 1 and 2.
- Line 7:** Enter the Ordinary Income or Loss per Federal Form 1065. Attach a copy of Federal Form 1065., Pages 1, 2, 3, and 4, Form 1125A, Schedule of Other Deductions, and Form 8825 Rental Schedule(s) if applicable, or its equivalent. Persons with real estate sales must attach list of properties sold.
- Line 8:** Enter the Taxable Income or Loss after special deductions and net operating loss per Federal Form 1120, 1120A, or Ordinary Income/Loss on Federal Form 1120S. Attach copy of Federal form 1120 or 1120A, Pages 1 and 2, and Schedule of Other Deductions or 1120S, Pages 1, 2, and 3, Schedule of Other Deductions, and Form 8825 Rental Income/Expense, or equivalent.
- Line 9:** 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.
- Line 10:** 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	Net long term capital gains
Net income from other rental activities	Net short term capital gains
Interest income	Other portfolio income
Portfolio income	Net gain under Sec 1231 (other than due to casualty or theft)
Royalty income	Guaranteed payments to partners
Dividend income	

- Line 11:** 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 12:** Enter the total of Lines 1 through 11, as applicable.
- Line 13:** 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 under Section 1231 (other than due to casualty or theft)
Net loss from other rental activities	Charitable Contributions
Portfolio loss	Expense deductions for recover property (Section 179)
Net short-term capital loss	Deductions related to portfolio income

Net long-term capital loss

Line 14: Enter the total from Line 3 of PART III, NET ALCOHOLIC BEVERAGE SALES, if applicable.

Line 15: Adjustments can be made on form NP 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:

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and salary expense is being reduced as a result of the new jobs or win credit.
depreciable basis of an asset was reduced by the amount of investment credit claimed, then ACF
that basis reduced over the life of the asset.

Taxpayers may deduct the following amounts without proof of non-unitary source (Attach a Schedule itemizing this deduction):

1. Foreign dividend gross-up under Section 78 of the Internal Revenue Code.
2. Income from controlled foreign corporations under subpart F, not actually received.
3. Interest earned on U.S. Obligations.
4. Ordinary income from other partnerships or S corporations which is included in income on Line 7 or 8 of Form NP.

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 16: Enter the total of Lines 13 through 15 as applicable.

Line 17: Subtract Line 16 from Line 12. This entry represents your "Adjusted Net Profit."

PART II: APPORTIONMENT FACTORS:

Part II must be completed by all licensees with sales revenue and/or payroll both within and without the City of Henderson and/or Henderson County.

Completion of the schedule allocates to the City of Henderson and/or Henderson County the proportionate part of the licensee's total business activity attributable to the City of Henderson and/or Henderson County. If your business is conducted entirely within the City of Henderson then Part II should not be completed. Instead enter 100% on Page 1, Line 2 of form NP under Column A labeled "City of Henderson", and complete Lines 3 through 15 of that column. If your business is conducted entirely within Henderson County, but outside the city limits of the City of Henderson, then Part II should not be completed. Instead enter 100% on Page 1, Line 2 of form NP under Column B labeled "Henderson County", and complete Lines 3 through 15 of that column.

Line 1a: Enter the total gross receipts from the sale, lease, or rental of goods, service or property received from **all the City of Henderson sources in Column A and all the Henderson County sources in Column B.**

Line 1b: Enter the total gross receipts from the sale, lease, or rental of goods, services or property received from **all sources.**

Line 1c: Divide Line 1a by Line 1b. Carry out to at least five (5) decimal places.

Line 2a: Enter the total compensation paid or payable to employees for work done or services performed or rendered **within the City of Henderson in Column A and within Henderson County in Column B** during the period covered by the Net Profit License Tax Return.

Line 2b: Enter the total compensation paid or payable to employees for work done or services performed or rendered in **all business locations** during the period covered by the Net Profit License Tax Return.

Line 2c: Divide Line 2a by Line 2b. Carry out to at least five (5) decimal places.

Line 3: Add Line 1c and Line 2c.

Line 4: If your business had both factors, enter total percentages divided by two (2) (Line 3 divided by Line 2). However, if the business had only one factor, enter the single factor percentage.

Note: If one of the factors is missing, the remaining factor is the average allocation percentage to be entered on Line 4 of Form NP. A factor (sales revenue or payroll) is considered missing if:

1. With regards to the sales revenue factor, a licensee's entire business operation did not recognize **any** receipts from the sale, lease, or rental of goods, services, or property. (i.e. Part II, Lines 1a & Line 1b, Columns A and B both equal zero).
2. With regards to the payroll factor, a licensee's entire business operation did not have **any** compensation paid or payable to employees for work done or services (i.e. Part II, Lines 2a & 2b, Columns A and B both equal zero).