

# OCCUPATIONAL LICENSE TAX (NET PROFITS)

City of Harrodsburg

Ordinance No. 2008-01

AN ORDINANCE RELATING TO THE IMPOSITION AND ADMINISTRATION OF AN OCCUPATIONAL LICENSE REQUIREMENT, AND PAYMENT OF AN OCCUPATIONAL LICENSE TAX BY PERSONS AND BUSINESS ENTITIES CONDUCTING BUSINESSES, OCCUPATIONS AND PROFESSIONS WITH THE CITY OF HARRODSBURG, KENTUCKY.

Whereas, the Board of Commissioners desire to make certain changes to the existing ordinance imposing occupation license fees on persons and business entities conducting businesses, occupations, and professions within the City of Harrodsburg, so that the assessment and payment of Occupational License taxes can be administered more equitable, efficiently, and effectively. It is the intent of this ordinance to comply with the requirements of KRS 67.760 to 67.790.

Now, therefore, be it ordained by the Board of Commissioner of the City of Harrodsburg, Kentucky, that Chapter 15 of the Code of Ordinances shall read as follows:

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- 15-2 Duties of Administrator
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## 15-1 – Definitions

As used in this ordinance, the following terms and their derivatives shall have the following meanings unless the context clearly indicates that a different meaning is intended;

1. “Administrator” shall mean an official administrator of occupational tax or the city clerk when the city does not have an administrator, to be appointed by the city commission.

2. “Business Entity” means each separate corporation, limited liability company, business development corporation, partnership, limited partnership, registered limited liability partnership, sole proprietorship, association, joint stock company, receivership, trust, professional service organization, or other legal entity through which business is conducted;

3. “Business” means any enterprise, activity, trade, occupation, profession or undertaking of any nature conducted for gain or profit. “Business” shall not include the usual activities of a board trade, chambers of commerce, trade associations, or unions, or other associations performing services usually performed by trade associations or unions as recognized by the Internal Revenue Service. “Business” shall not include funds, foundations, corporations, or associations organized and operated for the exclusive and sole purpose of religious, charitable, scientific, literary, educational, civic or fraternal purposes, where no part of the earnings, incomes or receipts of such unit, group, or association, insures to the benefit of any private shareholder or other person.

4. “City” means the City of Harrodsburg, Kentucky.

5. “Compensation” means wages, salaries, commissions, or any other form of remuneration paid or payable by an employer for services performed by an employee, which are required to be reported for federal income tax purposes and adjusted as follows:

A. Include any amounts contributed by an employee to any retirement, profit sharing, or deferred compensation plan, which are deferred for federal income tax purposes under a salary reduction arrangements under Section 401(a), 401(k), 402(e), 403(a), 403(b), 408, 414(h), or 457 of the Internal Revenue Code; and

B. Include any amounts contributed by an employee to any welfare benefit, fringe benefit, or other benefit plan made by salary reduction or other payment method which permits employees to elect to reduce federal taxable compensation under the Internal Revenue Code, including but not limited to Sections 125 and 132 of the Internal Revenue Code;

6. “Conclusion of the federal audit” means the date that the adjustments made by the Internal Revenue Service to net income as reported on the business entities federal income tax return become final and unappealable;

7. “Final determination of the federal audit” means the revenue agents’ report or other documents reflecting the final and unappealable adjustments made by the Internal Revenue Service.

8. “Fiscal Year” means fiscal year as defined in Section 7701(a)(24) of the Internal Revenue Code;

9. “Employee” means any person who renders services to another person or any business entity for compensation, including an officer of a corporation and any officer, employee, or elected official of the United States, a state, or any political subdivision of a state, or any agency instrumentality of any one (1) or more of the above. A person classified as an independent contractor under the Internal Revenue Code shall not be considered an employee.

10. “Employer” means the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person as defined in Section 3401(d) of the Internal Revenue Code, except that:

A. If the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term “employer” means the person having control of the payment of such wages, and

B. In the case of a person paying wages on behalf of a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, the term “employer” means such person.

11. “Internal Revenue Code” means the Internal Revenue Code in effect on December 31, of the year in which the tax is due, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, of the year in which the tax is due, that would otherwise terminate.

12. “Net Profit” means gross income as defined in Section 61 of the Internal Revenue Code minus all the deductions from gross income allowed by Chapter 1 of the Internal Revenue Code, and adjusted as follows:

A. Include any amount claimed as a deduction for state tax or local tax which is computed, in whole or in part, by reference to gross or net income and which is paid or accrued to any state of the United States, local taxing authority in a state, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any foreign country or political subdivision thereof;

B. Include any amount claimed as a deduction that directly or indirectly is allocable to income which is either exempt from taxation or otherwise not taxed;

C. Include any amount claimed as a net operating loss carryback or carryforward allowed under Section 172 of the Internal Revenue Code;

D. Include any amount of income and expenses passed through separately as required by the Internal Revenue Code to an owner of a business entity that is a pass through entity for federal tax purposes; and

E. Exclude any amount of income that is exempt from state taxation by the Kentucky Constitution, or the Constitution and statutory laws of the United States;

13. "Person" shall mean every natural person, whether a resident or non-resident of the city. Whenever the word "person" is used in a clause prescribing and imposing a penalty in the nature of a fine or imprisonment, the word, as applied to a partnership or other form of unincorporated enterprise, shall mean the partners or members thereof, and as applied to corporations, shall mean the officers and directors thereof;

14. "Return" or "Report" means any properly completed and, if required, signed form, statement, certification, declaration, or any other document permitted or required to be submitted or filed with the city;

15. "Sales Revenue" means receipts from the sale, lease, or rental of goods, services, or property;

16. "Tax District" means any city of the first to fifth class, county, urban county, charter county, consolidated local government, school district, special taxing district, or any other statutorily created entity with the authority to levy net profits, or occupational license taxes;

17. "Taxable Net Profit" in case of business entity having payroll or sales revenue only within the city means net profit as defined in subsection (11) of this section;

18. "Taxable Net Profit" in case of a business entity having payroll or sales revenue only within and without the city means net profit as defined in subsection (11) of this section, and as apportioned under Section (4) of this Ordinance, and

19. "Taxable Year" means the calendar year or fiscal year ending during the calendar year, upon the basis of which net income is computed.

20. "Independent Contractor" shall mean a person who provides services who is not subject to control and direction of another except as to the final result of his work, and not as to means, and who is therefore not an employee, as further defined by Official Treasury Regulation (Federal) 31.3401©-1, as amended.

## 15-2 – Duties of Administrator

1. It shall be the duty of the administrator to collect all license fees and deposit the same in the general fund of the city, to be used to defray the general expenses of the city government.

2. The administrator shall have the power and it shall be his/her duty to make and publish such rules and regulations, subject to the approval of the city commission, as may be necessary to administer this article and to provide such printed forms as may be required for reporting, paying and receipting all such license fees and for all other requirements in the property and efficient administration of this article. The administrator shall be an authorized citation officer.

## 15-3 – Occupational License Application Required

1. Every person and business entity engaged in any trade, occupation, profession, or other activity for profit or anyone required to file a return under this ordinance in Harrodsburg shall be required to complete and execute the questionnaire prescribed by the Occupational Tax Office. Each person shall be required to complete a separate questionnaire for each separate business before the commencement of business or in the event of a status change, other than change of address. Licenses are required to notify the Occupational Tax Office of changes of address, or the cessation of business activity, and of other changes, which render inaccurate the information supplied in the completed questionnaire.

2. Every person and business entity engaged in any occupation, trade, profession, or other activities in the city of profit or gain shall pay a minimum Business License Fee of twenty-five dollars (\$25.00) to the city for each calendar year. The calendar year is January 1 through December 31. The fee is due on or before January 1<sup>st</sup>.

3. All license fees not paid thirty (30) days after due date shall incur interest and penalty, added in accordance with Section 12.

4. The failure of any employer of licensee to receive or procure forms or documents is not an excuse for failure to make any return or to pay the occupational license fee.

## 15-4 – Occupational License Tax Payment Required

1. Except as provided in subsection (2) of this section, every person or business entity engaged in any business for profit and any person or business entity that is required to make a filing with the Internal Revenue Service or the Kentucky Revenue Cabinet shall be required to file and pay to the city an occupational license tax for the privilege of engaging in such activities within the city. The occupational license tax shall be measured by 1% of:

A. All wages and compensation paid or payable in the city for work done or services performed or rendered in the city by every resident and nonresident who is an employee;

B. The net profits from business conducted in the city by a resident or nonresident business entity.

2. The occupational license tax imposed in this section shall not apply to the following persons or business entities:

A. Any bank, trust company, combined bank and trust company, or trust, banking and title insurance companies organized and doing business in this state, any savings and loan association whether state or federally chartered;

B. Any compensation received by members of the Kentucky National Guard for active duty training, unit training assemblies and annual field training;

C. Any compensation received by precinct workers for election training or work at election booths in state, city, and local primary, regular, or special elections;

D. Public Service Corporations that pay an ad valorem tax on property valued and assessed by the Kentucky Department of Revenue pursuant to the provisions of KRS 136.120. Licensees whose businesses are predominantly non-public service who are also engaged in public service activity are required to pay a license fee on their net profits derived from the non-public service activities apportioned to the city;

E. Persons or business entities that have been issued a license under KRS Chapter 243 to engage in manufacturing or trafficking in alcoholic beverages. Persons engaged in the business or manufacturing or trafficking in alcoholic beverages are required to file a return, but may exclude the portion of their gross receipts derived from the manufacturing or trafficking in alcoholic beverages;

F. Life insurance companies incorporated under the laws of and doing business in the Commonwealth of Kentucky.

G. Any profits, earnings, or distributions of any investment fund that would qualify under KRS 154.20-250 to 154-20-284 to the extent any profits, earnings, or distributions would not be taxable to an individual investor.

#### 15-5 – Apportionment

1. Except as provided in subsection (4) of this section, net profits shall be apportioned as follows:

A. For business entities with both payroll and sales revenue in more than one (1) tax district, by multiplying the net profits by a fraction, the numerator of which is the

payroll factor, described in subsection (2) of this section, plus the sales factor described in subsection (3) of this section, and the denominator of which is two (2); and

B. For business entities with sales revenue in more than one (1) tax district, by multiplying the net profits by the sales factor as set forth in subsection (3) of this section.

2. The payroll factor is a fraction, the numerator of which is the total amount paid by payable in the city during the tax period by the business entity from compensation, and the denominator of which is the total compensation paid or payable by the business entity everywhere during the tax period. Compensation is paid or payable in the city based on the time the individual's service is performed within the city.

3. The sales factor is a fraction, the numerator of which is the total sales revenue of the business entity in the city during the tax period, and the denominator of which is the total sales revenue of the business entity everywhere during the tax period.

A. The sales, lease, or rental of tangible personal property is in the city if:

1. The property is delivered or shipped to a purchaser, other than the United States government, or to the designee of the purchaser within the city regardless of the f.o.b. point or other conditions of the sale;
- or
2. The property is shipped from an office, store, warehouse, factory, or other place of storage in the city and the purchase is in the United States government.

B. Sales revenue, other than revenues from the sale, lease or rental of tangible personal property or the lease or rental of real property, are apportioned to the city based upon a fraction, the numerator of which is the time spent in performing such income producing activity within the city and the denominator of which is the total time spent performing that income-producing activity.

C. Sales revenue from the sale, lease, or rental of real property is allocated to the tax district where the property is located.

4. If the apportionment provisions of this section do not fairly represent the extent of the business entity's activity in the city, the business entity may petition the city or the city may require, in respect to all or any part of the business entity's activity, if reasonable:

A. Separate accounting;

B. The exclusion of any one (1) or more of the factors;

C. The inclusion of one (1) or more additional factors which will fairly represent the business entity's business activity in the city, or

D. The employment of any other method to effectuate an equitable allocation and apportionment of gross receipts.

5. When compensation is paid or payable from work done or services performed or rendered by an employee, both within and without the city, the license tax shall be measured by that part of the compensation paid or payable as a result of work done or service performed or rendered within the city. The license tax shall be computed by obtaining the percentage which the compensation for work performed or services rendered within the city bears to the total wages and compensation paid or payable. In order for the city to verify the accuracy of a taxpayers' reported percentages under this subsection, the taxpayer shall maintain adequate records. The employer or employee shall file a payroll apportionment from as supplied by the Occupational Tax Office.

6. All partnerships, S corporations, and all other entities where income is "passed through" to the owners are subject to the ordinance. The occupational license tax imposed in this ordinance is assessed against income before it is "passed through" these entities to the owners.

7. If any business entity dissolves, ceases to operate, or withdraws from the city during any taxable year, or if any business entity in any manner surrenders or loses its charter during any taxable year, the dissolution, cessation of business, withdrawal, or loss or surrender of charter shall not defeat the filing of returns and the assessment and collection of any occupational license tax for the period of that taxable year during which the business entity had business activity in the city.

8. If a business entity makes, or is required to make, a federal income tax return, the occupational license tax shall be computed for the purposes of this ordinance on the basis of the same calendar or fiscal year required by the federal government, and shall employ the same methods of accounting required for federal income tax purposes.

#### 15-6 – Employers to Withhold

1. Every employer making payment of compensation to an employee shall deduct and withhold from the compensation an occupational license tax calculated under Section (3) of this ordinance.

2. Every employer required to deduct and withhold tax under this section shall, for the quarter ending after January 1 and for each quarter ending thereafter, on or before the end of the month following the close of each quarter, make a return and report to the city, and pay to the city, the tax required to be withheld under this section, unless the employer is permitted or required to report within a reasonable time after some other period as determined by the city.



3. Every employer who fails to withhold or pay to the city any sums required by this ordinance to be withheld and paid shall be personally and individually liable to the city for any sum or sums withheld or required to be withheld in accordance with the provisions of this section.

4. The city shall have a lien upon all the property of any employer who fails to withhold or pay over to the city sums required to be withheld under this section. If the employer withholds, but fails to pay the amounts withheld to the city, the lien shall commence as of the date the amounts withheld were required to be paid to the city. If the employer fails to withhold, the lien shall commence at the time the liability of the employer is assessed by the city.

5. Every employer required to deduct and withhold tax under this section shall annually on or before February 28 of each year complete and file on a form furnished or approved by the city a reconciliation of the occupational license tax withheld where compensation is paid or payable to employees. Either copies of federal forms W-2 and W-3, transmittal of wage and tax statements, or a detailed employee listing with the required equivalent information, as determined by the city, shall be submitted.

6. Every employer shall furnish each employee a statement on or before January 31 each year showing the amount of compensation and occupational license tax deducted by the employer from the compensation paid to the employee for payment to the city during the preceding calendar year.

7. An employer shall be liable for the payment of the tax required to be deducted and withheld under this section.

8. The president, vice president, secretary, treasurer or any other person holding an equivalent corporate office of any business entity subject to this section shall be personally and individually liable, both jointly and severally, for any tax required to be withheld from compensation paid or payable to one or more employees of the business entity, and neither the corporate dissolution or withdrawal of the business entity from the city, nor the cessation of holding any corporate office, shall discharge that liability; provided that the personal and individual liability shall apply to each and every person holding the corporate office at the time the tax becomes or became obligated. No person shall be personally and individually liable under this subsection unless such person had authority to collect, truthfully account for, or pay over the tax imposed by this ordinance at the time that the taxes imposed by this ordinance become or became due.

9. Notwithstanding subsections (7) and (8) of this section, every employee receiving compensation in the city subject to the tax imposed under Section (3) of this ordinance shall be personally liable for any amount due. In all cases where the employer does not withhold the tax levied under this ordinance from the employee, such employee or employees shall be responsible for filing with the city each quarter in the same manner as if they were the employer. The only employer that is not required to withhold, report, or pay the occupational license tax is the Federal Government including the United States

Postal Service. The payment required to be made by an employee, can be made quarterly, for the periods ending March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and December 31<sup>st</sup> of each year, or at any time the employee wishes to make an estimated payment for the year in which wages are earned. All license fees must be received by February 28 for the preceding calendar year, together with a copy of the employee's W-2 form. Employers not required to withhold, report, or pay the license fee must annually during the month of January each year, make a return to the Occupational Tax Administrator, in which is set forth the name and social security number of each employee of the employer during the preceding calendar year, giving the amount of salaries, wages, commissions, or other compensation earned during such proceeding year by each such employee. This list shall include all current full time employees, part time employees, temporary employees, and terminated employees whether it be voluntary or involuntary.

#### 15-7 – Returns Required

1. All business entity returns for the preceding taxable year shall be made by April 15 of each year, except returns made on the basis of a fiscal year, which shall be made by the fifteenth day of the fourth month following the close of the fiscal year. Blank forms for returns shall be supplied by the city.
2. Every business entity shall submit a copy of its federal income tax return and all supporting statements and schedules at the time of filing its occupational license tax return with the city. Whenever, in the opinion of the city, it is necessary to examine the federal income tax return of any business entity in order to audit the return, the city may compel the business entity to produce for inspection a copy of any statements and schedules in support thereof that have not been previously filed. The city may also require copies of reports of adjustments made by the federal government.
3. Every business entity subject to an occupational license tax governed by the provisions of this ordinance shall keep records, render under oath statements, make returns, and comply with rules as the city from time to time may prescribe. Whenever the city deems it necessary, the city may require a business entity, by notice served to the business entity, to make a return, render statements under oath, or keep records, as the city deems sufficient to determine the tax liability the business entity.
4. The city may require, for the purpose of ascertaining the correctness of any return or for the purposes of making an estimate of the taxable income of any business entity, the attendance of a representative of the business entity or of any other person having knowledge in the premises.
5. The full amount of the unpaid tax payable by any business entity, as appears from the face of the return, shall be paid to the city at the time prescribed for filing the occupational license tax return, determined without regard to any extension of time for filing the return.

6. It shall be the responsibility of persons who make Federal Form 1099 “non-employee compensation” payments to natural persons other than employees for services performed within the city, to maintain records of such payment and to report such payments to the city. Said payments must be reported on by remitting Federal Form 1099 by February 28 of the year following the close of the calendar year in which the non-employee compensation was paid. If a business entity or person is not required to remit Federal Form 1099 to the IRD, including but not limited to payments less than \$600.00, they are still liable to remit the equivalent information to the city. The information required to be reported by said licensee shall include:

- A. Payer’s name, address, social security and/or Federal identification number.
- B. Recipient’s name and address.
- C. Recipient’s social security and/or Federal identification number.
- D. Amount of non-employee compensation paid in the calendar year.
- E. Amount of non-employee compensation earned in the city for the calendar year.

#### 15-8 – Extensions

1. The city may grant any business entity an extension of not more than (6) months, unless a longer extension has been granted by the Internal Revenue Service or is agreed to by the city and the business entity, for filing its return, if the business entity, on or before the date prescribed for payment of the occupational license tax, request the extension and pays the amount properly estimated as its tax.

2. If the time for filing a return is extended, the business shall pay, as part of the tax, an amount equal to twelve percent (12%) per annum simple interest on the tax shows due on the return, but not having been previously paid, from the time the tax was due until the return is actually filed and the tax paid to the city. A fraction of a month is counted as an entire month.

#### 15-9 – Refunds

1. Where there has been an overpayment of tax under Section (5) of this ordinance, a refund or credit shall be made to the employer only to the extent of the amount of the overpayment was not deducted and withheld under Section (5) by the employer.

2. Unless written application for refund or credit is received by the city from the employer within two (2) years from the date the overpayment was made, no refund or credit shall be allowed.

3. An employee who has compensation attributable to activities performed outside the city, based on time spent outside the city, whose employer has withheld and remitted to this city, the occupational license tax on the compensation attributable to activities performed outside the city, may file for a refund within two (2) years of the date prescribed by law for the filing of a return. The employee shall provide a schedule and computation sufficient to verify the refund claim and the city may confirm with the

employer the percentage of time spent outside the city and the amount of compensation attributable to activities performed outside the city prior to approval of the refund.

4. In the case where the tax under this ordinance is less than the amount which has been declared and paid as estimated tax for the same taxable year, a refund shall be made upon the filing of a return.

A. Overpayment resulting from the payment of estimated tax in excess of the amount determined to be due upon the filing of a return for the same taxable year may be credited against the amount of estimated tax determined to be due on any declaration filed for the next succeeding taxable year or for any deficiency or non-payment of tax for any previous taxable year;

B. No refund shall be made of any estimated tax paid unless a complete return is filed as required by this ordinance.

Overpayments of less than five (\$5.00) shall not be refunded.

#### 15-10 – Federal Audit Provisions

1. As soon as practicable after each return is received, the city may examine and audit the return. If the amount of tax computed by the city is greater than the amount returned by the business entity, the additional tax shall be assessed and a notice of assessment mailed to the business entity by the city within five (5) years from the date the return was filed, except as otherwise provided in this subsection.

A. In the case of a failure to file a return or of a fraudulent return the additional tax may be assessed at any time.

B. In the case of a return where a business entity understates net profit, or omits an amount properly includable in net profits, or both, is in excess of twenty-five (25%) of the amount of net profit stated in the return, the additional tax may be assessed at any time within six (6) years after the return was filed.

C. In the case of an assessment of additional tax relating directly to adjustments resulting from a final determination of a federal audit, the additional tax may be assessed before the expiration of the times provided in the subsection, or six (6) months from the date the city receives the final determination of the federal audit from the business entity, whichever is later.

The times provided in this subsection may be extended by agreement between the business entity and the city. For the purposes of this subsection, a return filed before the last day prescribed by law for filing the return shall be considered as filed on the last day. Any extensions granted for filing the return shall also be considered as extending the last day prescribed by law for filing the return.

2. Every business entity shall submit a copy of the federal determination of the federal audit within thirty (30) days of the conclusion of the federal audit.

3. The city may initiate a civil action for the collection of any additional tax within the times prescribed in subsection (1) of this section.

#### 15-11 – Administrative Provisions

1. No suit shall be maintained in any court to restrain or delay the collection or payment of the tax levied by this ordinance.

2. Any tax collected pursuant to the provisions of this ordinance may be refunded or credited within two (2) years of the date prescribed by law for the filing of a return or the date the money was paid to the city, whichever is the latest, except that:

A. In any case where the assessment period contained in Section (9) of this ordinance has been extended by an agreement between the business entity and the city, the limitation contained in this subsection shall be extended accordingly.

B. If the claim for refund or credit related directly to adjustments resulting from a federal audit, the business entity shall file a claim for refund or credit within the time provided for in this subsection or six (6) months from the conclusion of the federal audit, whichever is later.

For the purpose of this subsection and subsection (1) of this section, a return filed before the last day prescribed by law for filing the return shall be considered as filed on the last day.

3. The authority to refund or credit overpayments of taxes collected pursuant to this ordinance is vested exclusively in the city.

#### 15-12 – Information to Remain Confidential

1. No present or former employee of any tax district shall intentionally and without authorization inspect divulge any information acquired by him or her of the affairs of any person, or information regarding the tax schedules, returns, or reports required to be filed with the tax district or other proper officer, or any information produced by a hearing or investigation, insofar as the information may have to do with the affairs of the person's business. This prohibition does not extend to information required in prosecutions for making false reports or returns for taxation, or any other infraction of the tax laws, or in any way made a matter of public record, nor does it preclude furnishing any taxpayer or the taxpayer's properly agent with information respecting his or her own return. Further, this prohibition does not preclude any employee of the tax district from testifying in any court, or from introducing as evidence returns or reports filed with the tax district, in an action for violation of a tax district tax laws or in any action challenging a tax district tax laws.

2. The city reserves the right to disclose to the Commissioner of Revenue of the Commonwealth of Kentucky or his or her duly authorized agent all such information and rights to inspect any of the books and records of the city if the Commissioner of Revenue of the files and records of the Kentucky Department of Revenue and maintains the privileged character of the information so furnished. Provided, further, that the city may publish statistics based on such information in such a manner as not to reveal facts respecting net profits or compensation of any person.

3. In addition, the city is empowered to execute similar reciprocity agreements as described in subsection (2) of this section with any other taxing entity, should there be a need for exchange of information in order to effect diligent enforcement of this ordinance.

### 15-13 – Penalties

1. A business entity subject to tax on net profits may be subject to a penalty equal to five (5%) of the tax 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 tax 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 tax due; however, the penalty shall not be less than twenty-five dollars (\$25.00)

2. Every employer who fails to file a return or pay the tax on or before the time prescribed under Section (5) of this ordinance may be subject to a penalty in an amount equal to five percent (5%) of the tax due for each calendar month or fraction thereof. The total penalty levied pursuant to this subsection shall not exceed twenty-five percent (25%) of the total tax due; however, the penalty shall not be less than twenty-five dollars (\$25.00)

3. In addition to the penalties prescribed in this section, any business entity or employer shall pay, as part of the tax, an amount equal to twelve percent (12%) per annum simple interest on the tax shown of a month is counted an entire month.

4. Every tax imposed by this ordinance, and all increases, interest, and penalties thereon, shall become. From the time the tax is due and payable, a personal debt of the taxpayer to the city.

5. The city may enforce the collection of the occupational tax due under section (3) of this ordinance and any fees, penalties, and interest as provided in subsection (1), (2), (3), and (4) of this section by civil action in a court of appropriate jurisdiction. To the

extent authorization by law, the city shall be entitled to recover all court costs and reasonable attorney fees incurred by it in enforcing any provision of this ordinance.

6. In addition to the penalties prescribed in this section, any business entity or employer who willfully fails to make a return or willfully makes a false return, or who willfully fails to pay taxes owing or collected, with the intent to evade payment of the tax or amount collected, or any part thereof, shall be guilty of a Class A misdemeanor.

7. Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with, any matter arising under this ordinance of a return, affidavit, claim or other document, which is fraudulent or is false as to any material matter, whether or not the falsity or fraud is with the knowledge or consent of the person authorized or required to present the return, affidavit, claim, or document, shall be guilty of a Class A misdemeanor.

8. A return for the purpose of this section shall mean and include any return, declaration or form prescribed by the city and required to be filed with the city by the provisions of this ordinance, or by the rules of the city or by written request for information to the business entity by the city.

9. Any persons violating the provisions of section (11) of this ordinance by intentionally inspecting confidential taxpayer information without authorization, shall be fined not more than five hundred dollars (\$500.00) or imprisoned for no longer than six (6) months; or both.

10. Any person violating the provisions of section (11) of this ordinance by divulging confidential taxpayer information shall be fined no more than one thousand (\$1,000.00) or imprisoned for no longer than six (6) months; or both.

#### 15-4 – Use of Occupational License Tax

All money derived from the license taxes under the provisions of this ordinance shall be paid to the city and placed to the credit of the city's general revenue fund.

#### 15-15 – Miscellaneous

1. All persons engaged in any trade, occupation, or profession for themselves within the city, for profit or gain, shall pay a license fee measured by and equal to one (1%) percent of net profit realized from such activity. "Net Profit" as used herein shall mean gross receipts less ordinary business deductions, recognized as such, and allowed by the United States Internal Revenue Code, as amended and in effect on the last day of a licensee's taxable year, except as otherwise specified in this ordinance or in regulation adopted pursuant to this ordinance.

2. The regulations adopted by the City Commission November 8, 1998 effective January 1, 1999, shall read in their entirety as set out in the 37 pages of regulations and the 2 page Appendix "A", all of which is incorporated herein as fully as if copied completely herein.

#### 15-16 – Repeal of Prior Provisions

The provisions of this ordinance shall become effective August 1, 2007. Prior provisions of Chapter 15 of the code of ordinances is repealed in its entirety except for the provisions of Articles I & II which are renumbered as 15-15.1-2. Article 15-15.1-2 shall remain in effect for all net profits due and payable for periods prior to August 1, 2007. At such times as the last payment is received for prior periods Articles 15-15.1-2 is repealed in its entirety except for "Appendix A".

#### 15-7 – Severability

Each section and provision of each section of this ordinance are severable, and if any provision, section, paragraph, sentence or part thereof, or the application thereof to any person licensee, class or group, is held by a court of law to be unconstitutional or invalid for any reason, such holding shall not affect or impair the remainder of this ordinance, it being the legislative intent to obtain and enact each provision, section, paragraph, sentence and part thereof, separately and independently of the rest.

Passed 1<sup>st</sup> Reading: June 25, 2007

Passed 2<sup>nd</sup> Reading: July 9, 2007

Date of Publication: July 12, 2007

  
LONNIE CAMPBELL, MAYOR