

**INFORMATION BULLETIN
TO
ALL TAX PREPARERS**

RE: MARSHALL COUNTY OCCUPATIONAL LICENSE TAX

To All Tax Preparers

The Marshall County Board of Education recently amended its Occupational License Tax for schools so its ordinance would comply with certain new provisions contained in KRS 67.750 et. seq. In view of the number of inquiries received by the board and the nature of the comments the Board has received from tax preparers that have had an opportunity to review the amended ordinance the Board has decided to issue this bulletin.

In March of 1968 the Marshall County Board of Education by ordinance enacted an occupational licenses tax which was to provide funding for its schools. This tax is authorized under the provisions of KRS 160.605 and it is applicable to those salaries, wages, commissions and any other compensation that an individual living in Marshall County receives for work done and services performed in Marshall County. The tax is also applicable to the net profits of all businesses, profession, or occupations which are conducted in Marshall County.

You should not treat this tax as an income tax; it is an occupational license tax. Therefore, there can be no deductions or offsets for losses from any unrelated business activity or occupation the taxpayer may have conducted during the same period.

For example, if you operate a business as a sole proprietor and file Schedule C with your federal income tax return, you would file one Marshall County Occupational License Tax for Schools return for that business. You would include the net profits or loss from that business on Worksheet 1, line 2. If you sold property that was used in that business and included the gain or loss on Form 4797 or Schedule D, you would also list the gain or loss on the return on line 5. If you operate a second business also as a

sole proprietor, you would file a second local return for that business. You cannot offset net profits from one business with a net loss from the second business.

If you operate a farm and file Schedule F with your federal income tax return, you would file one Marshall County Occupational License Tax for Schools return for the farm. You would include the net profits or loss on Worksheet 1, line 4. If you sold property that was used in the farming business and included the gain or loss on Form 4797 or Schedule D, you would also list the gain or loss on the return on line 5. You cannot offset a net loss from the farming business with net profits from a Schedule C, or vice versa.

If you own rental property and file Schedule E or form 4835 with your federal income tax return, you would file one Marshall County Occupational License Tax for Schools return for the rental activities in total. You would include the net profits or loss on Worksheet 1, line 3. If you sold property that was used in rental activities and included the gain or loss on Form 4797 or Schedule D, you would also list the gain or loss on the return on line 5. You cannot offset a net loss from rental activities with net profits from a Schedule C or F. You also cannot offset a net profit from rental activities with a net loss from a Schedule C or F.

There must be a local return filed for EACH separate trade or business. Rental activities, however, may be combined on one local return, but cannot be combined with any other trade or business. Example: Bob is an electrician and files Schedule C for that business. His wife, Jane is a realtor and also files a Schedule C. Bob has a small farm and files a Schedule F. Bob and Jane jointly own 3 rental houses for which a Schedule E is filed. Four separate Marshall County Occupational License Tax for Schools returns must be filed, one for Bob's electrician Schedule C, one for Jane's realtor Schedule C, one for Bob's farm Schedule F, and one for the 3 rental properties.

NOTE: If the taxpayer's employer properly withheld all local taxes, you will NOT file a local return for those wages. A taxpayer will no longer receive a refund of taxes withheld from wages by offsetting a schedule C or F loss against the wages. In some instances, employers do not hold out the correct amount of local taxes. If the work is performed in Marshall County by a Marshall County resident and the local tax was not withheld, the amount of those wages should be included on line 9 of worksheet 1 of the local return. If the work is performed outside of Marshall **OR** by a non-resident of Marshall County and the local tax was withheld by mistake, a separate form is available on the website to request a refund for those taxes.