GENERAL INSTRUCTIONS

FILING FORM OL-3 WHO MUST FILE:

Corporations, partnerships, sole proprietorships, estates and trusts or other businesses engaged in an occupation , trade or profession with a business nexus in Covington, Kentucky.

NOTE:
Individuals who receive wages, salaries commissions or other compensation for work done or services performed in Covington from which the full amount of occupational license fees due has not been withheld by their employer and remitted to the City of Covington Finance Department must file Form OL-1. Any payments that are received for work performed in Covington are subject to Occupational Tax. If the person you work for did not withhold the full amount of occupational tax then you must file a tax form.

The City of Covington Finance Department collects license fees on all income resulting from transacting business within the City of Covington, Kentucky. There is no minimum income amount which should be earned before you are liable for filing a tax return. The license fee is imposed upon the privilege of engaging in the business, profession, occupation or trade within the City of Covington, Kentucky regardless of the legal residence of the person so engaged.

A Tax Form Must Be Filed Even If:

- **Your business activity resulted in a loss for the tax year. Complete tax form according to the instructions provided.**
- **You were not actively engaged in business during the tax year but do intend to resume operations at a future date. Check the boxes designated "No Activity". Sign the form and return it to the City of Covington Finance Department.**
- **Your business activity ceased prior to the beginning of the tax year but you have not provided written notification that operations ceased. Check the boxes labeled "No Activity" and "FINAL". Complete question 1, sign the form and return to the City of Covington Finance Department.**
- **Your business was operational for a portion of the tax year but ceased operation prior to the completion of the fiscal period. Complete the tax form according to the instructions provided. Check the box labeled "FINAL". Complete questions H and I, sign the form and return it to the City of Covington Finance Department.**
- **You applied for a tax number with the intention of starting a business but never transacted business within Covington, Kentucky and do not intend to do so in the future. Check the boxes designated "No Activity" and "FINAL", sign the form and return it to the City of Covington Finance Department.**

State Exemptions

The following persons are exempt under Kentucky law from the occupational net profits license fee and are not required to file a return:

1. **Public Service Corporations which pay an ad valorem tax on property valued and assessed by the Kentucky Department of Revenue pursuant to the provisions of KRS 136.120 (NOTE: effective January 1, 1984, regular and irregular route common carrier trucking companies, busline companies, and taxicab companies which had previously been classified as Public Service Corporations were expressly deleted from the class of such corporations and are therefore required to pay an occupational net profits license fee for profits earned on and after January 1, 1984.**
2. **Persons whose sole business activity is the manufacture of and/or sale of alcoholic beverages. Persons engaged in the business of manufacturing and/or selling alcoholic beverages are required to file a return, but may exclude the portion of their net profits derived from such manufacture and/or sale of alcoholic beverages on Line 15. (See instructions for Line 13 for more detailed information.)**
3. **Life insurance companies incorporating under the laws of and doing business in the State of Kentucky (see KRS 138.320 (4) (5).**
4. **Banks, trust companies, combined bank and trust companies, combined trust, banking and title businesses, savings and loan associations whether state or federally chartered.**
5. **Persons whose sole wages, salaries, commissions, or other compensations earned in Covington, Kentucky are derived from service as members of the Kentucky National Guard for active duty training, unit training assemblies and annual field training. (Such income may be excluded by other taxpayers filing returns.)**

Special Provisions of Local Laws

The following persons are exempt under Covington ordinances from the occupational net license fee and are not required to file a return: boards of trade, chambers of commerce, trade associations or unions, community chest funds or foundations, corporations or associations organized and operated exclusively for religious, charitable, scientific, literary, educational, or civic purposes, or for the prevention of cruelty to children or animals: clubs or fraternal organizations operated exclusively for social, literary, educational, or fraternal purposes where no part of the earnings, income, or receipts of any such units, groups, or associations inures to the benefits of any private shareholder or individual.

Wages of the following persons are exempt from the Covington occupational license fee.

1. **Wages earned by domestic servants employed in private homes.**
2. **Compensation received by a person who has been ordained in accordance with the ceremonial ritual or discipline of a recognized church, religious sect, or other religious organization, for the purpose of teaching and preaching such organization's doctrines or administering its rights and public worship, and who customarily performs one or more of these duties, provided, that no such person is exempt from the payment of an employee license fee on compensation earned in activities not connected with the regular functions of a religious organization.**

When to File:

Form OL-3 must be delivered or postmarked by the 15th day of the 4th month after the end of the tax (fiscal) year.

Form 1099-SF must be delivered or postmarked by February 28th following the close of the calendar year in which non employee compensation payments were made. (See instructions for Form 1099-SF)

Extensions:

If an extension of time for filing is required, a written request to the City of Covington Finance Department is mandatory in all cases. A copy of the taxpayer's application to the IRS for automatic extension of time for filing this Federal income tax return will also suffice if the City of Covington Finance Department number is noted thereon and said copy is postmarked or hand delivered to the City of Covington Finance Department on or before the original due date.

Estimated Tax:

If an extension of time for the filing of a return has been granted, any balance of the license fee unpaid by the regular due date bears interest at the rate of 12% per annum.

Where to File:

All returns should be delivered or mailed to the City of Covington Finance Department at 638 Madison Avenue, Covington, Kentucky 41011-2298.

Signature:

If the return is being filed by a corporation, it must be signed and dated by the president, vice-president, treasurer, assistant treasurer, chief accounting officer or any other corporate officer authorized to sign. If the return is being filed by a partnership, it must be signed by a general partner. If the return is being filed by a sole proprietor, it must be signed by that individual. Additionally, the licensee who signs the return must print his/her name in the area provided.

Accounting Methods:

CONSOLIDATED RETURNS – Are not permitted in filing this return. If a corporation which is subject to the occupational license return is included in a consolidated return, that corporation shall submit the following:

1. **Form OL-3 based upon the taxable income (or loss) of the corporation subject to the occupational license return, not the consolidated taxable income.**
2. **A copy of the consolidated Form 1120 or its equivalent.**
3. **A computation sheet allocating all revenue and expense items on the consolidated Federal return to each corporation included in that consolidated return.**

SEPARATE ACCOUNTING METHOD - is not permitted in the filing of this return. Therefore, if any entity has operations both within and outside Covington, then the total profit or loss per the Federal return of the entity should be reported on this return. The total profit or loss is to be multiplied by the average percentage of receipts and wages earned in the City of Covington as calculated in the apportionment formula (Lines 19-22), rather than reporting only the net profit or loss from those operations in Covington.

Rounding Off to Whole Dollar Amounts:

You may round off cents on the return and accompanying schedules to the nearest whole dollar. To do so, drop any amounts less than 50 cents and increase any amounts from 50 cents through 99 cents to the next highest dollar.

Penalties:

Failure to File – There is a 5% penalty per month or a fraction of a month to a maximum of 25% for failure to file a return by the regular or extended date.

Interest:

Interest is computed at 12% per annum from the original due date until the time of payment.