

Summary of Modifications to the Warren County Schools Occupational Tax Ordinance

Effective: January 1, 2008

The Warren County Board of Education (WCBE) has amended its Occupational License Tax Ordinance to be in compliance with Kentucky Revised Statutes (KRS). The WCBE would like to inform you of various modifications that have been made to our Occupational License Tax Ordinance.

The reason for the changes to the KRS is to standardize, as much as possible, the Occupational License Tax across the state, from one jurisdiction to another, including counties, cities and school boards. The goal is to have a less complex and easier to understand local taxation system whereby businesses throughout the country will be able to access a Kentucky Local Tax Ordinance and file a local return. Our belief is that the easier the ordinance is to comply with local taxation rules, the less cost to the business. Currently, the KRS states that all jurisdictions must be compliant by July 15, 2008. The changes to our locality will apply to returns filed for the tax year beginning on or after January 1, 2008.

The major changes that occurred during the standardization process include but are not limited to:

NET PROFITS

1. The occupational license tax is measured by one half (1/2) of one percent (1%) of the net profit from business conducted in the Warren County School District by a resident business entity and on net profits generated by rental units where the taxpayer owns two or more rental units.
2. With respect to the two part apportionment factor for calculating the license fee (**Payroll** = payroll in jurisdiction / total payroll; **Sales** = sales revenue in jurisdiction / total sales revenue), a significant change in the ordinance relates to the calculation of the sales factor. Sales of tangible personal property is now determined based on where the property is shipped to or delivered and sales of services is now determined based on where the activity was performed. If tangible personal property is shipped within the Warren County School District or the business activity was performed within the Warren County School District, then the sales revenue is subject to the occupational tax and considered part of the numerator of the apportionment factor.
3. The new ordinance does not allow for pass through to an owner of a business entity that is a pass through entity for federal tax purposes (i.e., S-corporations, partnerships, etc.). The occupational license tax will be assessed against income before it is "passed through" these entities to the owners. Therefore, all partnerships, S-corporations, and all other entities where income is "passed through" to the owners are subject to this ordinance and must file a net profit return.
4. Penalty for late filing will be 5% per month or portion of month to a maximum of 25%, but not less than \$25. These penalties apply if the entity fails to file any return or report on or before the due date prescribed for filing or as extended by the school district; or fails to pay the tax computed on the return or report on or before the due date prescribed for payment.
5. The interest charge of 12% per annum simple interest on any unpaid balances, from the time the tax was due until the tax is paid, remains unchanged by the new ordinance and will continue to be in addition to the penalty discussed above.
6. If a taxpayer receives a W-2 with Warren County Schools Occupational Tax withholdings and the taxpayer also files a net profit return for a business entity, the taxpayer may no longer apply the payroll withholdings from the W-2 as a credit to the total tax due on the net profit return.

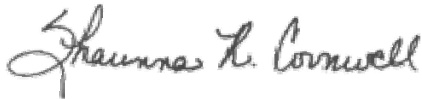
7. The Warren County School District may file civil action to collect unpaid taxes.
8. Refunds are allowed within two (2) years of the due date of the return or the date the money was paid to the tax district, whichever is later

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1. Compensation is total **GROSS** compensation from all sources, before any deductions, including employee contributions to retirement, profit sharing, or deferred compensation plans, contributions to IRS Section 125 and 132 plans (cafeteria plans), and any benefit that is taxable for federal income tax purposes. Some examples of taxable fringe benefits, included in total gross compensation, are: auto allowance, life insurance > \$50,000, education reimbursement, parking allowance, meal allowance, and moving allowance.
2. The same penalties and interest that apply to net profits, discussed above, also apply to payroll.
3. The due date for the submission of W-2's and the related reconciliation will be February 28th of the year following the taxing year. The WCBE's Occupational Tax Office now provides an "Annual Reconciliation of License Fee/Tax Withheld" form. It can be found on our website at www.warren.kyschools.us
4. The Warren County School District may file civil action to collect unpaid taxes.
5. Employers who fail to withhold or pay to the school district any sums required by the ordinance will be personally and individually liable to the school district for any sum or sums withheld or required to be withheld.
6. Refunds are allowed within two (2) years of the due date of the return or the date the money was paid to the tax district, whichever is later

For further clarification of changes please review the new ordinance on our website at www.warren.kyschools.us – "Occupational Tax Office" Link. If you would like to obtain a copy either via fax or mail, please contact our office at 270-842-7168.

Sincerely,



Shaunna R. Cornwell, CPA
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