

Occupational Tax Administrator  
**MONTGOMERY COUNTY FISCAL COURT**

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FREQUENTLY ASKED QUESTIONS CONCERNING  
MONTGOMERY COUNTY, KENTUCKY  
LOCAL NET PROFITS/OCCUPATIONAL TAX ORDINANCE

PAYROLL WITHHOLDING RETURNS

If you have at least one employee on payroll performing work in the City of Mount Sterling and/or the unincorporated areas of Montgomery County, KY or elect to pay yourself a salary from your business income, you should be paying payroll tax to the Montgomery County Treasurer. **The tax amount due is two percent (2%) of all pre-taxed, gross wages including retirement withholdings, 401K, cafeteria plans etc.**; and payments shall be made quarterly to the Montgomery County Treasurer. Monthly payments are due on or before the last day of the month following the month end in which a tax liability is incurred. Quarterly payments are due on or before the last day of the month following the end of the quarter. Annual payments are due by January 31<sup>st</sup> of the following year. All returns reporting a tax liability must be accompanied by sufficient payment in order to be recorded. **Returns must be filed even if tax liability is zero.** Non-residents of Montgomery County, KY are not exempt from this tax ordinance. An annual payroll reconciliation form and copies of W2 forms for persons who performed work in Montgomery County are due January 31 of each year for the preceding year. A payroll program printout is acceptable in lieu of copies of W2 forms. Employers are also required to file annually a listing of payments made to non-employees including name, address, and amount paid for work performed in Montgomery County (or copies of 1099 forms).

In cases where the employer is unable to withhold the 2% tax liability from the employee's wages (Ex: Federal Government Employees), the employee is directly responsible for reporting and paying this tax; however, the employer is responsible for reporting the employee names, addresses, and pre-taxed gross wages to this office annually either by submitting copies of W2 forms (or 1099 forms) or a payroll program printout.

NET PROFITS RETURNS

If you or your company performs work in (or ships goods to) Montgomery County, you should be filing an annual Net Profits License Fee Return. Net profits returns are due April 15 following the calendar year end. If your business uses a fiscal year end other than December 31, the return is due the 15<sup>th</sup> day of the fourth month following the fiscal year end. All returns reporting a tax liability must be accompanied by sufficient payment in order to be recorded. **Returns must be filed even if there is a net loss (zero tax liability).**

All returns must be accompanied by a listing of independent contractors including their names, addresses and amounts paid for the fiscal year.

PENALTIES AND INTEREST

All taxes that remain unpaid after they become due (without prior extension approval) shall bear interest at the rate of ten percent (10%) per annum plus a penalty of one and one-half percent (1 1/2%) of the unpaid tax for each month or fraction of a month such fees remain unpaid.

Any person who willfully fails to pay payroll tax as outlined in the local ordinance shall become liable for the amount due plus interest of 10 % (ten percent) per annum and a penalty of 4-1/2 % (four and one-half percent) of such amount shall be added for each month or fraction of a month until said fees are paid.

Failure to comply with the local ordinance concerning this tax can result in a fine not to exceed five hundred dollars (\$500.00) and/or imprisonment for a period not to exceed one (1) year, plus all court costs for each offense.

CLOSING YOUR ACCOUNT

In order to make your account inactive, all tax returns must be filed to date including payroll withholding, annual reconciliation, copies of W2 information and net profits license fees. A written request stating the reason you request cancellation of your account must be dated and signed by an authorized representative of the business.

CITY OF CAMARGO/CITY OF JEFFERSONVILLE If your work is performed within the city limits of the City of Camargo or the City of Jeffersonville, KY, your 2% payroll withholding, and your net profits returns will be filed directly with that locality instead of this office.