



- INCLUDES FORM 512-S  
AND FORM 512-SA

**DRAFT**  
**10/18/12**

# 2012 OKLAHOMA SMALL BUSINESS CORPORATION INCOME TAX FORMS AND INSTRUCTIONS

**This packet contains:**

- Instructions for completing Form 512-S
- 512-S: Small Business Corporation Income Tax form
- 512-SA: Nonresident Shareholder Agreement Income Tax form

**Filing date:**

- Your Oklahoma return is generally due the 15th day of the third month following the close of the taxable year.

**For assistance or forms:**

- See page 12 for methods of contacting the Oklahoma Tax Commission.

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# WHAT'S NEW IN THE 2012 OKLAHOMA TAX PACKET?

- When computing depletion, the 50% net income applies to all taxpayers.
- A donation may be made from your tax refund to the following:
  - Support of Domestic Violence and Sexual Assault Services
  - Support of Volunteer Fire Departments
  - Oklahoma Lupus Revolving Fund
  - Oklahoma Sports Eye Safety Program
  - Historic Greenwood District Music Festival Fund
  - Public School Classroom Fund

See the instructions on pages 9-11 for more information. A donation to the Public School Classroom Fund may also be made if you have a balance due. See Form 512-S, line 15.

## COMMON ABBREVIATIONS FOUND IN THIS PACKET

IRC	- Internal Revenue Code
OS	- Oklahoma Statutes
OTC	- Oklahoma Tax Commission
Sec.	- Section(s)

## COMMON ERRORS

Below are the most common errors. To aid in processing your return, please double check your return carefully.

- Refunds must be made by direct deposit. Failure to supply direct deposit information will delay the processing of the refund.
- Check your FEIN on all forms and schedules.
- Enclose a complete copy of your Federal return, and all required schedules. Failure to do so can slow down the processing of your return.

## TABLE OF CONTENTS

QuickTax Information.....	3
General Filing Information .....	3-4
Amended Returns.....	4
Line by Line Instructions.....	4-11
When You Are Finished .....	11
Direct Deposit Information.....	12
How to Contact the OTC .....	12

# 2012 OKLAHOMA SMALL BUSINESS CORPORATE INCOME TAX

## WHO MUST FILE

All corporations having an election in effect under Subchapter S of the Internal Revenue Code (IRC) engaged in business or deriving income from property located in Oklahoma and that are required to file a Federal income tax return using Form 1120-S, must file a return on Form 512-S. Do not use Form 512.

**A complete copy of the Federal return must be enclosed with the Oklahoma income tax return. For S-corporations not required to complete the Federal Schedules L and M-1, copies of the balance sheets from their financial statement must be enclosed. Failure to enclose the required documentation may cause a delay in the processing of the S-corporation's income tax return as well as the income tax returns of its shareholders.**

## TIME AND PLACE FOR FILING

The return must be filed on or before the 15th day of the third month following the close of the taxable year. In the case of complete liquidation or the dissolution of a corporation, the return shall be made on or before the 15th day of the fourth month following the month in which the corporation is completely liquidated. When the last date for filing any document or performing any act required by the Oklahoma Tax Commission (OTC) falls on a day when the offices are not open for business, the filing of the document or performance of the act shall be considered timely if it is performed by the end of the next business day.

A valid extension of time in which to file your Federal return automatically extends the due date of your Oklahoma return if no Oklahoma liability is owed. A copy of the Federal extension must be enclosed with your Oklahoma return. If your Federal return is not extended, or an Oklahoma liability is owed, an extension of time to file your Oklahoma return may be granted on Form 504.

Mail your return to the Oklahoma Tax Commission, PO Box 26800, Oklahoma City, OK 73126-0800.

## FISCAL YEAR AND SHORT PERIOD RETURNS

For all fiscal year and short period returns, the beginning and ending dates of the tax year must be shown on the top portion of the return where indicated. Omission of this information may cause a significant delay in the processing of the return and no interest will accrue on any refund pending.

## WITHHOLDING ON NONRESIDENT MEMBERS

Pass-through entities (partnerships, S corporations, limited liability companies or trusts) are required to withhold Oklahoma income tax at a rate of 5% of the Oklahoma share of taxable income distributed to each nonresident member (partner, member, shareholder or beneficiary). A pass-through entity is **not** required to withhold income tax with regard to any nonresident member who submits Form OW-15 "Nonresident Member Withholding Exemption Affidavit". 68 Oklahoma Statutes (OS) Sec. 2385.29, 2385.30 and 2385.31.

Withholding is not required on distributions made to persons, other than individuals, who are exempt from Federal income tax, organizations granted an exemption under IRC Section 501(c)(3), insurance companies subject to the Oklahoma Gross Premium Tax and therefore exempt from Oklahoma income tax under 68 OS Sec. 2359(c), and non-resident members who have filed the Form OW-15 "Non-resident Member Withholding Exemption Affidavit".

Withholding is not required on any distribution of royalty income on which the nonresident royalty interest income tax has already been withheld, on any distribution made to another pass-through entity or on any distribution of income not subject to Oklahoma income tax.



# 2012 OKLAHOMA SMALL BUSINESS CORPORATE INCOME TAX

## Withholding on Nonresident Members: (continued)

The following pass-through entities are not required to withhold:

- An entity electing to be treated as a disregarded entity for Federal income tax purposes. A disregarded entity is an eligible entity that is treated as an entity that is not separate from its single owner.
- An entity that does not have a requirement, or properly elects out of the requirement, to file a Federal income tax return.
- An entity making distributions of income not subject to Oklahoma income tax.

## Distributions made from the S Corporation

S corporations that make distributions subject to Oklahoma withholding must register with the OTC. Register by completing Form OW-11 "Registration for Oklahoma Withholding for Nonresident Members". This form may be obtained from our website at [www.tax.ok.gov](http://www.tax.ok.gov).

To file and pay the income tax withheld, the S corporation must complete Form WTP10003 "Oklahoma Nonresident Distributed Income Withholding Tax Annual Return" (formerly Form OW-9-C). The S corporation will file Form WTP10003 on or before the due date (including extensions) of the S corporation's income tax return.

The S corporation must provide nonresident shareholders a Form 500-B, by the due date (including extensions) of its income tax return, showing their respective amount of income and tax withheld. Copies of Form 500-B's, along with the cover Form 501, must be sent to the OTC by the same date. Each nonresident shareholder must enclose a copy of the Form 500-B with their Oklahoma income tax return as verification for this withholding.

For S corporations paying the tax on behalf of nonresident shareholders, the nonresident shareholder's withholding may be claimed on Form 512-S, part 1, line 7. A copy of the nonresident shareholder's Form 500-B must be enclosed with the Form 512-S.

## GENERAL FILING INFORMATION

### AGRICULTURAL COMMODITY PROCESSING FACILITY EXCLUSION

Owners of agricultural commodity processing facilities may exclude fifteen percent (15%) of their investment in a new or expanded agricultural commodity processing facility located within Oklahoma. "Agricultural commodity processing facility" means buildings, structures, fixtures and improvements used or operated primarily for the processing or production of agricultural commodities to marketable products. The investment is deemed made when the property is placed in service. Under no circumstances shall this exclusion lower the shareholder's taxable income below zero. In the event the exclusion does exceed income, any unused portion may be carried over for a period not to exceed six (6) years.

Attach a separate schedule showing the type of investment(s), the date placed in service, the cost, the total exclusion and the exclusion available for each shareholder. Do not include this exclusion in the Oklahoma net distributable income; each shareholder shall report their allowable share of the exclusion on the designated line of their individual return. For a nonresident who does not file a nonresident agreement, include the shareholder's allowable share in Part 5, column 7.

### OKLAHOMA DEPLETION IN LIEU OF FEDERAL DEPLETION (PART 5)

Oklahoma depletion on oil and gas well production, at the option of the taxpayer, may be computed at 22% of gross income derived from each Oklahoma property during the taxable year. When computing Oklahoma depletion, corporations shall be limited to 50% of the net income (computed without the allowance for depletion) from each property. If Oklahoma options are exercised, the Federal depletion not used due to 65% limit may not be carried over. Lease bonus received is considered income subject to depletion. If depletion is claimed on a lease bonus and no income is received as a result of non-producing properties, upon expiration of the lease, such depletion must be restored. A complete schedule by property must be furnished.

Note: For each nonresident shareholder whose income is reported in Part 1, line 1a, the depletion is reported in Part 1, line 1b.

### REFUNDABLE CREDIT...

A refundable credit is available for qualified capital expenditures, wages and training expenses incurred by a business enterprise whose principal activity is data processing services, computer systems design services or other computer related services that as of July 1, 2005, maintains an Oklahoma annual payroll of at least \$85 million and an Oklahoma labor force of 1,000 or more persons. The Computer Industry Credit may be claimed by filing Form 580 any time, or the credit may be claimed on the estimated tax line of the income tax return. Form 580 must be enclosed with the return. 68 OS Sec. 2357.201 and Rule 710:50-15-100.

**The Oklahoma Tax Commission's QuickTax program offers businesses the opportunity to file and pay many Oklahoma business taxes online.**

Visit our website to learn more about QuickTax!  
[www.tax.ok.gov](http://www.tax.ok.gov)



## GENERAL FILING INFORMATION

### UNDERPAYMENT OF ESTIMATED TAX INTEREST

All S corporations, which are paying tax at the corporate level, are required to make estimated tax payments when the tax for the taxable year can reasonably be expected to be \$500 or more. The estimated tax payments shall not be less than 70% of the amount of tax due (tax liability less all credits except amounts paid on estimated tax and extension payments), or 100% of the prior year's tax liability. Should deficiencies occur, the amount of underpayment shall be subject to interest at an annual rate of 20%, or fraction thereof, for the period of underpayment. Enclose Form OW-8-P.

Note: No underpayment of estimated tax interest shall be imposed if the tax liability shown on the return is less than \$1,000.

### AMENDED RETURNS

The Form 512-S is used for amended returns also. If this is an amended return, place an 'X' in the box located in the upper left section of Form 512-S, page 1. Enclose Federal Amended Form 1120-S when applicable.

When amending Form 512-S for S corporations which are paying tax at the corporate level, line 5 (tax paid on estimate) must be adjusted by subtracting previous overpayments or adding tax previously paid. An overpayment on an amended return may not be credited to estimated tax, but will be refunded. The amount applied to estimated tax on the original return cannot be adjusted.

### ADJUSTMENTS BY INTERNAL REVENUE SERVICE

Taxpayers who file "consents" extending the time for making Federal adjustments automatically extend the time for making State adjustments. The taxpayer is also required to file an amended return reporting all Internal Revenue Service adjustments. A copy of the finalized RAR must be furnished.

### BANKS AND CREDIT UNIONS

State and national banks and state credit unions, making a Federal Subchapter S election, shall not pay an "In Lieu" tax of 6% per 68 OS Sec. 2370. The income or loss of that entity shall be reported at the shareholder level.

### REAL ESTATE INVESTMENT TRUSTS

A real estate investment trust that does not become regularly traded on an established securities market within one year of the date on which it first becomes a real estate investment trust, shall be deemed not to have been regularly traded on an established securities market, retroactive to the date it first became a real estate investment trust. An amended return shall be filed reflecting such retroactive designation for any tax year or part year occurring during its initial year of status as a real estate investment trust. For purposes of this paragraph, a real estate investment trust becomes a real estate investment trust on the first day it has met the requirements of IRC Section 856 and has elected to be treated as a real estate investment trust pursuant to IRC Section 856(c)(1). 68 OS Sec. 2358.

## LINE BY LINE INSTRUCTIONS FOR DETERMINING OKLAHOMA NET DISTRIBUTABLE INCOME

### COMPUTATION OF ALLOCABLE AND/OR APPORTIONABLE INCOME

**Part 2, Column A and Part 3, Column A** are to be completed by all S corporations. All S corporations start with Part 2.

**Part 2, Column B and Part 3, Column B**, are to be completed by S corporations deriving all of their income from within Oklahoma or by S corporations whose business within and without Oklahoma is oil and gas production, mining, farming, or rental. This should be completed using the direct accounting method.

**Part 4** is to be completed by S corporations conducting a business of a unitary nature. A unitary business is one whose income is derived from the conduct in more than one state of a single business enterprise, all the factors of which are essential to the realization of an ultimate gain derived from the enterprise as a whole, and not from its component parts which are too closely connected and necessary to each other to justify division or separate allocation.

### SAFETY PAYS OSHA CONSULTATION SERVICE EXEMPTION:

(Part 2, Column B, line 19 or Part 4, line 3)

An employer that is eligible for and utilizes the Safety Pays OSHA Consultation Service provided by the Oklahoma Department of Labor shall receive a \$1,000 exemption for the tax year the service is utilized. Employers must be able to substantiate their participation in the Oklahoma Department of Labor's Safety Pays Consultation Service upon request.

### QUALIFIED REFINERY PROPERTY:

(Part 2, Column B, Line 5 or Part 4, Line 2)

If the election was made to expense the cost of qualified Oklahoma refinery property placed in service before January 1, 2012 on a previous year's Oklahoma return, the depreciation deduction claimed on the Federal return for such property must be added back to arrive at Oklahoma taxable income. This addition must be made regardless of whether the expense was claimed on the corporate return or allocated to its owners. 68 OS Sec. 2357.204.

**COST OF COMPLYING WITH SULFUR**

**REGULATIONS:** (68 OS Sec. 2357.205)

A qualified refinery may make an irrevocable election to allocate all or a portion of the cost of complying with sulfur regulations issued by the Environmental Protection Agency as a deduction allowable to its owners. The allocation for each person is equal to the ratable share of the total amount allocated, determined on the basis of the ownership interest of the person. The taxable income of the refinery shall not be reduced by the reason of any amount allowed under this section.

**If you are the Refinery -**

To make the election, attach a schedule stating your corporate name and Federal Employer Identification Number, a list of the costs of complying with sulfur regulations some or all of which are being allocated to your owners, and the portion of such costs allocated to each owner (including the owner’s name and Federal identification number). You shall also provide each owner with written notice of the amount of the allocation. The notice must include your corporate name and Federal Employer Identification Number and the owner’s name and Federal identification number.

**If you are the Owner -**

(Part 2, Column B, line 19, or Part 4, line 6)

Deduct the portion of the cost of complying with sulfur regulations which have been allocated to you. Attach the written notice of the allocation received from the refinery.

**EMPLOYERS PROVIDING CHILD CARE PROGRAMS FOR THEIR EMPLOYEES:**

(Part 2, Column B, line 5 or Part 4, line 6 as an addition)

Employers incurring expenses to provide Oklahoma child care services for children of their employees may be allowed a credit. If allowed, the eligible expenses upon which the credit is based must be added back to arrive at Oklahoma net distributable income. See Form 511CR, number 12 for the credit. Enclose a schedule of eligible expenses and the computation of the credit. 68 OS Sec. 2357.26 and Rule 710:50-15-91.

**CAPTIVE REAL ESTATE INVESTMENT TRUSTS:**

(Part 2, Column B, line 5 or Part 4, line 2)

A captive real estate investment trust, which is subject to Federal income tax, is required to add-back the dividends-paid deduction otherwise allowed by Federal law in computing net income. 68 OS Sec. 2358.

**Electronic Payments**

Log on to [www.tax.ok.gov](http://www.tax.ok.gov) and visit the “**Online Services**” link to make a payment electronically. All electronic payment methods provide you with a confirmation number and the peace of mind in knowing your payment was received.

**- PART 2**

To compute Oklahoma net distributable income, All S corporations start with Part 2.

**Lines 1-21, Column A:**

Part 2, Column A must be completed by all S corporations. List exact figures as reported on the front page of your Federal 1120-S.

**Lines 1-21, Column B:**

Part 2, Column B is to be used by S corporations deriving all of their income from within Oklahoma. This column is also to be used by all S corporations whose business, both within and without Oklahoma, is oil and gas production, mining, farming, or rental. This should be completed using the direct accounting method. S corporations conducting business of a unitary nature do not complete Column B.

Rents and interest expenses paid to a captive real estate investment trust and deducted on your Federal return must be added back on Column B, line 5 to compute Oklahoma distributable income. Such add-back is not required if the captive real estate investment trust is subject to the add-back for the dividends-paid deduction. See the “Captive Real Estate Investment Trusts” section.

S corporations incurring expenses to provide Oklahoma child care services for children of their employees should refer to the “Employers Providing Child Care Programs for their Employees” section.

**- PART 3**

If Federal and Oklahoma net distributable incomes are the same, you may complete line 18 of Part 3, then complete Part 5.

A copy of your Federal Form 1120-S and K-1 must be enclosed with your Oklahoma return.

An Oklahoma return must be filed.

**Lines 1-18, Column A:**

Part 3, Column A is to be used by all S corporations. List figures as reported on your Federal 1120-S, Sch. K.

**Lines 1-18, Column B:**

Part 3, Column B is to be used by S corporations deriving all of their income from within Oklahoma. This will be the same as in Column A, except for lines 4b and 4c.

This column is also used by S corporations whose business within and without Oklahoma is oil and gas production, mining, farming, or rental. Complete this column on a direct accounting basis as follows:

**Line 1 -**

Income (loss) shall be allocated in accordance with the situs of such property. Overhead expense shall be allocated on the basis of direct expense in Oklahoma to the total direct expense everywhere. Use Page 2, Part 2 or enclose a schedule.

**Lines 2 and 3 -**

Income (loss) from real and tangible personal property shall be allocated in accordance with the situs of such property.

**- PART 3, CONTINUED...**

**Line 4 -**

Accounts receivable interest income and interest income from investments held to generate working capital shall be allocated to Oklahoma on the basis of direct expense. See line 1 above.

All other intangible income (loss) shall be allocated in accordance with the situs of the S corporation. Gains or losses from the sale of leases and gains or losses from the sale of real and tangible personal property, shall be allocated in accordance with the situs of the property.

**Line 4b -**

**State and Municipal Bond Interest:**

S Corporations domiciled in Oklahoma that receive income on bonds issued by any state or political subdivision thereof, exempt from Federal taxation but not exempt from taxation by the laws of the State of Oklahoma, shall add the total of such income to arrive at Oklahoma income.

- 1) Income from all bonds, notes or other obligations issued by the State of Oklahoma, the Oklahoma Capital Improvement Authority, the Oklahoma Municipal Power Authority, the Oklahoma Student Loan Authority, and the Oklahoma Transportation Authority (formerly Turnpike Authority) is exempt from Oklahoma income tax. The profit from the sale of such bonds, notes or other obligations shall be free from taxation.
- 2) Income from local Oklahoma governmental obligations issued after July 1, 2001, other than those provided for in line 1, is exempt from Oklahoma income tax. The exceptions are those obligations issued for the purpose of providing financing for projects for nonprofit corporations. Local governmental obligations shall include bonds or notes issued by, or on behalf of, or for the benefit of Oklahoma educational institutions, cities, towns, or counties or by public trusts of which any of the foregoing is a beneficiary.
- 3) Income from Oklahoma State and Municipal Bonds issued prior to July 2, 2001, other than those provided for in line 1, is exempt from Oklahoma income tax only if so provided by the statute authorizing their issuance.
- 4) Income on bonds issued by another state or political subdivision thereof (non-Oklahoma), exempt from Federal taxation, is taxable for Oklahoma income tax.

Enclose a schedule of all municipal interest received by source and amount. If the income is from a mutual fund which invests in state and local government obligations, enclose documentation from the mutual fund to substantiate the percentage of income derived from obligations exempt from Oklahoma tax.

**State and Municipal Bond Interest: (continued)**

**Note:** If the interest is exempt, the capital gain/loss from the sale of the bond may also be exempt. The gain/loss from sale of a state or municipal bond, other than those provided for in line 1, is exempt only if so provided by the statute authorizing its issuance.

**Line 4c - Interest on U.S. Government Obligations:**

If you report interest on bonds, notes, and other obligations of the U.S. on your Federal return, it may be excluded from your Oklahoma income if a detailed schedule is furnished, accompanied with 1099s showing the amount of interest income and the name of the obligation from which the interest is earned. If the income is from a mutual fund which invests in U.S. Government obligations enclose documentation from the mutual fund to substantiate the percentage of income derived from obligations exempt from Oklahoma tax. Interest from entities such as FNMA & GNMA does not qualify.

**Lines 7 through 9 -**

Gains or losses from the sale of the following shall be allocated in accordance with the situs of the property:

- real or tangible personal property,
- lease, royalty or bonus income from oil and gas properties.

**Line 10 -**

The gain on property, for which a section 179 expense deduction was passed through to shareholders and which is reported as Supplemental Information on the Federal K-1, is to be reported on this line for Oklahoma purposes. Enclose the following: description of the property, date the property was acquired, date the property was sold, gross sales price, cost or other basis plus expense of sale (including the S corporation's basis reduction in the property due to the section 179 expense deduction), depreciation allowed or allowable (not including the section 179 expense deduction), and amount of section 179 expense deduction (if any) passed through to each shareholder for the property and the S corporation's tax year(s) in which the amount was passed through.

**Lines 12 through 17 -**

Expenses relative to the income above shall be allocated directly to that income.

**Make Your Payments by Credit Card...**

You can pay the balance due by credit card. Payments can be made for any tax year. Estimated income tax payments are also accepted.

Log on to our website at [www.tax.ok.gov](http://www.tax.ok.gov). Click on the "Online Services" link to pay online.



A convenience fee will be added to credit and debit card transactions. For more information regarding this service, please visit our website at [www.tax.ok.gov](http://www.tax.ok.gov) or call our Taxpayer Assistance Office at (405) 521-3160.

**PART 4**

Part 4 is to be used by S corporations conducting a business of unitary nature. A unitary business is one whose income is derived from the conduct in more than one state of a single business enterprise, all the factors of which are essential to the realization of an ultimate gain derived from the enterprise as a whole, and not from its component parts which are too closely connected and necessary to each other to justify division or separate allocation.

Generally, the resulting amount is apportioned to Oklahoma based on the 3-factor formula. The basis of the apportionment is the average of three factors consisting of property, payroll and sales. If less than 3 factors are present, the resulting amount is apportioned to Oklahoma on a 2-factor or single factor formula consisting of the arithmetical average of the factors present. A factor is considered present if there is a denominator. Each factor is a ratio of the total within Oklahoma to the total everywhere. To the income apportioned to Oklahoma there is to be added all income separately allocated to Oklahoma with the result being Oklahoma taxable income. 68 OS Sec. 2358.

**Line 1** - Enter net distributable income from Page 2, Part 3, Column A, line 18.

**Line 2** - Deductions relating to income which is separately allocable shall not be allowed as apportionable and will be entered here.

Rents and interest expenses paid to a captive real estate investment trust and deducted on your Federal return must be added back to compute Oklahoma distributable income. Such add-back is not required if the captive real estate investment trust is subject to the add-back for the dividends-paid deduction, see "Captive Real Estate Investment Trusts" on page 5.

**Line 3** - Income from U.S. obligations (see Part 3, line 4c instructions) and net income separately allocated (oil and gas production, mining, farming, or rentals and other Corporation income or loss) will be entered here. Gains or losses from sale of intangible personal property which is directly allocated should also be entered here.

**Line 4** - Total apportionable income.

**Line 5** - Apportionment Factor from Apportionment Schedule.

**Line 6** - Income separately allocated to Oklahoma should be entered here (interest income from state obligations or political subdivisions, oil and gas production, mining, farming or rentals, etc.).

S corporations incurring expenses to provide child care services for children of their employees should refer to the "Employers Providing Child Care Programs for their Employees" on page 5.

**Line 7** - Oklahoma net distributable income. Place this figure on Page 2, Part 3, Column B, line 18. Then complete Part 5.

**PART 5**

All S corporations must complete Part 5.

If your business is either wholly Oklahoma or of an allocable nature, complete Part 5 after you complete Part 3. If your business is of a unitary nature, complete Part 5 after you complete Part 4.

**Shareholder's Pro Rata Share of Income**

Enter the names, Social Security Numbers or Federal Employer Identification Numbers and addresses of the shareholders, and write in the applicable column each shareholder's pro rata share of net income, whether distributed or not.

**Notice:**

The amount shown on Part 5 may not be the amount to be entered on the shareholder's Oklahoma income tax return. This amount includes all allowable S corporation income, losses and deductions; however, some of these items may be limited on the Federal individual return. If these items are allowed in full or in part on your Federal income tax return, they will be allowed to the same extent on your Oklahoma return.

**Corporations Please Note:**

Nonresident shareholders must enclose Form 512-SA indicating that an income tax form will be filed with Oklahoma reporting their income or loss. This agreement must be enclosed with the original S corporation income tax return, Form 512-S, for each nonresident shareholder, otherwise the corporation shall be taxed on that part of the corporation's net income allocable to the shares of stock owned by the nonresident shareholder.

Once the agreement has been signed, it is irrevocable for this tax year. If a signed agreement is not submitted with the original filed return, the tax on the corporation is binding. Shareholder's social security number or Federal identification number must be shown for the agreement to be valid.

**Depletion**

Enter each shareholder's allowable depletion. Enclose a detailed schedule.

**Withholding**

Oklahoma income tax is withheld from oil and gas royalties paid to nonresident S corporations. Enter each shareholder's portion of such withholding. The S corporation must enclose its Form 500-A, Form 1099-MISC, Form K-1 or other documentation to substantiate any Oklahoma withholding passing through to its shareholders.

Note: If you have any nonresident shareholders who have not filed a withholding exemption affidavit (Form OW-15), Oklahoma income tax should have been withheld on any distribution of Oklahoma taxable income. Such withholding is not reported here, instead you should have issued a Form 500-B to your nonresident shareholder.

**- PART 5, CONTINUED...**

**Credits**

Enter and describe each shareholder's portion of credits. Enclose all forms required to substantiate the credit(s). See the instructions for Part 1 "Oklahoma Credits" for more detail on the credits available.

**- PART 1**

Part 1 is to be completed for those nonresident shareholders for whom the Nonresident Shareholder Agreement (Form 512-SA) is not enclosed. The S corporation will be taxed on the non-resident's share of income.

**Line 1b - Nonresident Share of Deductions**

**• Share of Net Operating Loss Carryover**

Enter the amount of Net Operating Loss carryover which is attributable to those nonresidents who did not file a nonresident shareholder agreement (Form 512-SA) in the loss year. Enclose a detailed schedule.

**• Oklahoma Capital Gain Deduction:**

Taxpayers can deduct qualifying gains receiving capital treatment which are included in Federal taxable income. "Qualifying gains receiving capital treatment" means the amount of the net capital gains, as defined under IRC Section 1222(11). The qualifying gain must:

- 1) Be earned on real or tangible personal property located within Oklahoma that you have owned, either directly or indirectly, for at least five uninterrupted years prior to the date of the sale,
- 2) Be earned on the sale of stock or ownership interest in an Oklahoma headquartered company, limited liability company, or partnership where such stock or ownership interest has been owned, directly or indirectly, by you for at least three uninterrupted years (two for individuals) prior to the date of the sale, or
- 3) Be earned on the sale of real property, tangible personal property or intangible personal property located within Oklahoma as part of the sale of all or substantially all of the assets of an Oklahoma company, limited liability company, or partnership where such property has been directly or indirectly owned by such entity or owned by the owners of such entity, and used in or derived from such entity for a period of at least three uninterrupted years (two for individuals) prior to the date of the sale.

Form 561-S is used to determine the qualifying Oklahoma net capital gain of the nonresident shareholders whose income is reported on Form 512-S, Part 1. Form 512-S, Part 1 is for those who did not file a nonresident shareholder agreement (Form 512-SA). Enclose Form 561-S and a copy of your Federal Schedule D.

**• Oklahoma Depletion:**

For each nonresident shareholder whose income is reported in Part 1, line 1a, Oklahoma depletion on oil and gas well production, at the option of the taxpayer, may be computed at 22% of gross income derived from each Oklahoma property during the taxable year. When computing Oklahoma depletion, corporations shall be limited to 50% of the net income (computed without the allowance for depletion) from each property.

Lease bonus received is considered income subject to depletion. If depletion is claimed on a lease bonus and no income is received as a result of non-producing properties, upon expiration of the lease, such depletion must be restored. A complete schedule by property must be furnished.

**Oklahoma Credits...**

Enclose a copy of the credit form or schedule. Complete the schedule showing each shareholder's pro rata share of credit. For each credit, enter that portion attributable to the nonresident shareholders who do not file a nonresident shareholder agreement (Form 512-SA).

**Line 3 - Other Credits:**

The amount of other credits claimed on Form 511CR should be entered on this line. Enter in the box the number that corresponds with the credit to which the taxpayer is entitled. If you are entitled to more than one credit, enter "99" in the box. See the following for a list of credits available on Form 511CR. Enclose Form 511CR and any applicable forms or schedules. This form can be obtained from our website at [www.tax.ok.gov](http://www.tax.ok.gov).

Tax credits transferred or allocated must be reported on OTC Form 569. Failure to file Form 569 will result in the affected credits being denied by the OTC pursuant to 68 OS Sec. 2357.1A-2.

- Oklahoma Investment/New Jobs Credit  
**Enclose Form 506.**  
68 OS Sec. 2357.4 and Rule 710:50-15-74.
- Coal Credit  
68 OS Sec. 2357.11 and Rule 710:50-15-76.
- Credit for Energy Assistance Fund Contribution  
68 OS Sec. 2357.6.
- Credit for Investment in a Clean-Burning Motor Fuel Property or Investment in Qualified Electric Motor Vehicle Property  
68 OS Sec. 2357.22 and Rule 710:50-15-81.
- Credit for Hazardous Waste Disposal  
27A OS Sec. 2-11-303 and Rule 710:50-15-75.
- Credit for Qualified Recycling Facility  
68 OS Sec. 2357.59 and Rule 710:50-15-84.
- Small Business Capital Credit  
**Enclose Form 527-A.**  
68 OS Sec. 2357.60 - 2357.65 and Rule 710:50-15-86.
- Oklahoma Agricultural Producers Credit  
**Enclose Form 520.**  
68 OS Sec. 2357.25 and Rule 710:50-15-85.



**Line 3 - Other Credits: (continued)**

- Small Business Guaranty Fee Credit  
**Enclose Form 529.**  
68 OS Sec. 2357.30.
- Credit for Employers Providing Child Care Programs  
68 OS Sec. 2357.26 and Rule 710:50-15-91.
- Credit for Entities in the Business of Providing Child Care Services  
68 OS Sec. 2357.27.
- Credit for Food Service Establishments that Pay for Hepatitis A Vaccination for their Employees  
68 OS Sec. 2357.33.
- Credit for Commercial Space Industries  
68 OS Sec. 2357.13.
- Credit for Tourism Development or Qualified Media Production Facility  
68 OS Sec. 2357.34 - 2357.40.
- Oklahoma Local Development and Enterprise Zone Incentive Leverage Act Credit  
68 OS Sec. 2357.81.
- Credit for Qualified Rehabilitation Expenditures  
68 OS Sec. 2357.41 and Rule 710:50-15-108.
- Rural Small Business Capital Credit  
**Enclose Form 526-A.**  
68 OS Sec. 2357.71 - 2357.76 and Rule 710:50-15-87.
- Credit for Electricity Generated by Zero-Emission Facilities  
68 OS Sec. 2357.32A.
- Credit for Financial Institutions Making Loans under the Rural Economic Development Loan Act  
68 OS Sec. 2370.1.
- Credit for Manufacturers of Small Wind Turbines  
68 OS Sec. 2357.32B and Rule 710:50-15-92.
- Credit for Qualified Ethanol Facilities  
68 OS Sec. 2357.66 and Rule 710:50-15-106.
- Poultry Litter Credit  
68 OS Sec. 2357.100 and Rule 710:50-15-95.
- Credit for Qualified Biodiesel Facilities  
68 OS Sec. 2357.67 and Rule 710:50-15-98.
- Film or Music Project Credit  
**Enclose Form 562.**  
68 OS Sec. 2357.101 and Rule 710:50-15-101.
- Credit for Breeders of Specially Trained Canines  
68 OS Sec. 2357.203 and Rule 710:50-15-97.
- Credit for Wages Paid to an Injured Employee  
68 OS Sec. 2357.47 and Rule 710:50-15-107.
- Credit for Modification Expenses Paid for an Injured Employee  
68 OS Sec. 2357.47 and Rule 710:50-15-107.
- Dry Fire Hydrant Credit  
68 OS Sec. 2357.102 and Rule 710:50-15-99.
- Credit for the Construction of Energy Efficient Homes  
68 OS Sec. 2357.46 and Rule 710:50-15-104.
- Credit for Railroad Modernization  
68 OS Sec. 2357.104 and Rule 710:50-15-103.

- Research and Development New Jobs Credit  
**Enclose Form 563.**  
68 OS Sec. 54006 and Rule 710:50-15-105.
- Gas Used in Manufacturing Credit  
68 OS Sec. 2357(C).
- Credit for Biomedical Research Contribution  
68 OS Sec. 2357.45 and Rule 710:50-15-113.
- Credits for Employers in the Aerospace Sector  
**Enclose Form 565.**  
68 OS Sec. 2357.301, 2357.302 & 2357.303 and Rule 710:50-15-109.
- Wire Transfer Fee Credit  
68 OS Sec. 2357.401 and Rule 710:50-15-111.
- Credit for Manufacturers of Electric Vehicles  
68 OS 2357.402 and Rule 710:50-15-112.
- Business Activity Tax Credit  
68 OS Sec. 1219 and Rule 710:95-19-6.
- Credit for Cancer Research Contribution  
68 OS Sec. 2357.45 and Rule 710:50-15-113.
- Oklahoma Capital Investment Board Tax Credit  
74 OS Sec. 5085.7.

**Line 7 - Oklahoma Withholding**

Enter the portion of Oklahoma withholding that is passing through the S corporation to those nonresident shareholders who did not file a nonresident shareholder agreement (Form 512-SA). The shareholder's portion of such withholding is shown on Page 4, Part 5, Column 10. Enclose the Form 1099-MISC, Form 500-A, Form K-1 or other withholding statement received by the S corporation to substantiate the Oklahoma withholding.

Enter the Oklahoma income tax withheld from Oklahoma distributions made to your nonresident shareholders who did not file a nonresident shareholder agreement (Form 512-SA). The shareholder's withholding is shown on the Form 500-B. Enclose a copy of the Form 500-B for each such nonresident shareholder.

Note: Do not include the portion of the S corporation's withholding passing through to resident shareholders or to those nonresident shareholders who filed a nonresident shareholder agreement (Form 512-SA).

**Line 11 - Donations from Your Refund**

You have the opportunity to make a financial gift from your refund to a variety of Oklahoma organizations. Enter the amount of your donation and place the number of the organization shown on pages 9-11 in the box on line 11 of Form 512-S. If you give to more than one organization, put a "99" in the box and attach a schedule showing how you would like your donation split.

**1 Oklahoma Wildlife Diversity Program**

The Oklahoma Wildlife Diversity Program is funded primarily by concerned Oklahomans. All donations provide for a variety of projects. If you are not receiving a refund, you may still donate. Mail your contribution to: Wildlife Diversity Program, 1801 North Lincoln Blvd., Oklahoma City, OK 73105.

**Line 11 - Donations from Your Refund (continued)**

**2 Oklahoma Breast and Cervical Cancer Fund**  
 You may donate for the benefit of breast and cervical cancer early detection, public education and research. Your donation will be placed in a fund to be used for the purpose of funding programs to increase knowledge of breast and cervical cancer risk and prevention and provide mammograms, pap tests and biopsies for low-income women. If you are not receiving a refund, you may still donate. Mail your contribution to: State Department of Health Breast and Cervical Cancer Revolving Fund, 1000 NE 10th Street, Oklahoma City, OK 73152.

**3 Support of Programs for Volunteers to Act as Court Appointed Special Advocates for Abused or Neglected Children**  
 You may donate from your tax refund to support programs for volunteers to act as Court Appointed Special Advocates for abused or neglected children. Donations will be placed in the Income Tax Checkoff Revolving Fund for Court Appointed Special Advocates. Monies will be expended by the Office of the Attorney General for the purpose of providing grants to the Oklahoma CASA Association. If you are not receiving a refund, you may still donate. Mail your contribution to: Oklahoma CASA Association, Inc., PO Box 54946, Oklahoma City, OK 73154.

**4 Oklahoma Pet Overpopulation Fund**  
 You may donate from your tax refund for the benefit of the Oklahoma Pet Overpopulation Fund. Monies placed in this fund will be expended by the Department of Agriculture, Food and Forestry for the purpose of developing educational programs on pet overpopulation and for implementing spay/neuter efforts in this state. If you are not receiving a refund, you may still donate. Mail your contribution to: Oklahoma Dept. of Agriculture, Food & Forestry - Animal Industry Division, 2800 North Lincoln Blvd., Oklahoma City, OK 73105.

**5 Support of the Oklahoma National Guard**  
 You have the opportunity to donate from your tax refund for the benefit of providing financial relief to qualified members of the Oklahoma National Guard and their families. Donations will be placed in the Income Tax Checkoff Revolving Fund for the Support of the Oklahoma National Guard Relief Program. Monies, to assist Oklahoma National Guard members and their families with approved hardship expenses, will be expended by the Military Department. If you are not receiving a refund, you may still donate. Please mail your contribution to: Operation Homefront Task Force, 3501 Military Circle, Oklahoma City, OK 73111-4398.

**6 Oklahoma Leukemia and Lymphoma Fund**  
 You have the opportunity to donate from your tax refund for the benefit of the Oklahoma Leukemia and Lymphoma Revolving Fund. Monies from the fund will be used by the State Department of Health for the purpose of supporting voluntary health agencies dedicated to curing Leukemia, Lymphoma, Hodgkin's Disease, and Myeloma and to improving the quality of life of patients and their families. If you are not receiving a refund, you may still donate. Mail your contribution to: State Department of Health - Oklahoma Leukemia and Lymphoma Revolving Fund - 228, PO Box 268823, Oklahoma City, OK 73152-8823.

**7 Support of Programs for Regional Food Banks in Oklahoma**  
 You may donate from your tax refund for the benefit of the Regional Food Bank of Oklahoma and the Community Food Bank of Eastern Oklahoma (Oklahoma Food Banks). The Oklahoma Food Banks are the largest hunger-relief organizations in the state - distributing food to charitable and faith-based feeding programs throughout all 77 counties in Oklahoma. Your donation will be used to help provide food to the more than 500,000 Oklahomans at risk of hunger on a daily basis. If you are not receiving a refund, you may still donate by mailing your contribution to: Oklahoma Department of Human Services Revenue Processing Unit, Re: Programs for OK Food Banks, PO Box 248893, Oklahoma City OK 73124.

**8 Support of Folds of Honor Scholarship Program**  
 You have the opportunity to donate from your tax refund to support the Folds of Honor Foundation. Folds of Honor is a 501(c)(3) charitable organization that provides post-secondary educational scholarships for children and spouses of military service men and women killed or disabled while serving in the war in Iraq or Afghanistan. If you are not receiving a refund, you may still donate. Mail your contribution to: Folds of Honor Foundation, 5800 North Patriot Drive, Owasso, OK 74055.

**9 Y.M.C.A. Youth and Government Program**  
 You have the opportunity to donate from your tax refund for the benefit of the Oklahoma chapter of the Y.M.C.A. Youth and Government program. Monies donated will be expended by the State Department of Education for the purpose of providing grants to the Program so young people may be educated regarding government and the legislative process. If you are not receiving a refund, you may still donate. Mail your contribution to: Oklahoma State Department of Education - YMCA Youth and Government Program, Office of the Comptroller, 2500 North Lincoln Boulevard, Room 415, Oklahoma City, OK 73105-4599.

**10 Multiple Sclerosis Society Fund**  
 You may donate for the benefit of research toward a cure for Multiple Sclerosis. Your donation will be placed in a fund for the purpose of providing grants to the Multiple Sclerosis Society for purposes of mobilizing people and resources to drive research for a cure and to address the challenges of everyone affected by multiple sclerosis. If you are not receiving a refund, you may still donate. Mail your contribution to: Oklahoma State Department of Health Multiple Sclerosis Society Revolving Fund, PO Box 268823, Oklahoma City, OK 73126-8823.

**11 Support Oklahoma Honor Flights**  
 You have the opportunity to donate any amount of your tax refund to support Oklahoma Honor Flights. Oklahoma Honor Flights is a 501(c)(3) not-for-profit organization that transports Oklahoma World War II veterans to Washington, D.C. to visit the memorial dedicated to honor their service and sacrifice. If you are not receiving a refund, you may still donate. Mail your contribution to: Oklahoma Honor Flights, PO Box 10492, Midwest City OK 73140.

**Line 11 - Donations from Your Refund (continued)**

**12 Support of Domestic Violence and Sexual Assault Services**

You may donate from your tax refund for the benefit of domestic violence and sexual assault services in Oklahoma that have been certified by the Attorney General. Your donation will be used to provide grants to domestic violence and sexual assault service providers for the purpose of providing domestic violence and sexual assault services in Oklahoma. The term "services" includes but is not limited to programs, shelters or a combination thereof. If you are not receiving a refund, you may still donate. Mail your contribution to: Attorney General, Domestic Violence and Sexual Assault Services Fund, 313 NE 21st Street, Oklahoma City, OK 73105

**13 Support of Volunteer Fire Departments**

You may donate from your tax refund for the benefit of volunteer fire departments in Oklahoma. Your donation will be used to provide grants to volunteer fire departments in this state for the purpose of purchasing bunker gear, wildland gear and other protective clothing. If you are not receiving a refund, you may still donate. Mail your contribution to: Oklahoma State Fire Marshal, Attn: Volunteer Fire Department Fund, 2401 NW 23rd Street, Suite 4, Oklahoma City, OK 73107.

**14 Oklahoma Lupus Revolving Fund**

You may donate from your refund for the benefit of the Oklahoma Lupus Revolving Fund. Monies from the fund will be used by the State Department of Health to provide grants to the Oklahoma Medical Research Foundation for the purpose of funding research into treating and curing lupus in this state. If you are not receiving a refund, you may still donate. Mail your contribution to: State Department of Health, Lupus Revolving Fund, P.O. Box 268823, Oklahoma City, OK 73152-8823.

**15 Oklahoma Sports Eye Safety Program**

You may donate from your refund for the benefit of the Oklahoma Sports Eye Safety Program. Your donation will be used by the State Department of Health to establish a sports eye safety grant program for the purchase and distribution of sports eye safety programs and materials to Oklahoma classrooms and sports eye safety protective wear to children age 18 and under. Monies will also be used to explore opportunities to utilize nonprofit organizations to provide such safety information or equipment. If you are not receiving a refund, you may still donate. Mail your contribution to: State Department of Health, Sports Eye Safety Fund, P.O. Box 268823, Oklahoma City, OK 73152-8823.

**16 Historic Greenwood District Music Festival Fund**

With part of your tax refund you can support music festivals in the Historic Greenwood District of Tulsa. Your donation will be used by the Oklahoma Historical Society to assist with music education, public concerts, and a celebration of Tulsa's and Oklahoma's musical heritage. You may also mail your contributions to: Greenwood District Music Festival Fund, Oklahoma Historical Society, 800 Nazih Zuhdi Dr., Oklahoma City, OK 73105.

**17 Public School Classroom Support Fund**

Donations to the Public School Classroom Support Revolving Fund will be used by the State Board of Education to provide one or more grants annually to public school classroom teachers. Grants will be used by the classroom teacher for supplies, materials, or equipment for the class or classes taught by the teacher. Grant applications will be considered on a statewide competitive basis. You may also mail a donation to: Oklahoma State Board of Education, Public School Classroom Support Fund, Office of the Comptroller, 2500 North Lincoln Boulevard, Room 415, Oklahoma City, OK 73105-4599.

**Line 13 -**

All refunds must be directly deposited into a bank account. See page 12 "Direct Deposit Information" for details.

**Line 15 - Public School Classroom Support Fund**

A donation to this fund may be made on a tax due return. For information regarding this fund, see the instructions for Line 11, #17.

**Line 16 - Underpayment of Estimated Tax Interest**

All S corporations are required to make estimated tax payments if the tax liability is \$500 or more. To avoid the 20% Underpayment of Estimated Tax Interest, timely filed estimated tax payments are required to be equal to the smaller of 70% of the current year tax liability or 100% of your prior year tax. The tax liability is the tax due less all credits except amounts paid on estimated tax and extension payments.

**Note:** No Underpayment of Estimated Tax Interest shall be imposed if the tax liability shown on the return is less than \$1,000. Enclose Form OW-8-P.

**Line 17 - Delinquent Penalty and Interest**

Interest at the rate of 1 1/4% per month shall be paid on the tax due from the original due date until paid. 90% of the tax liability must be paid by the original due date of the return to avoid a delinquent penalty charge of 5% for late payment.

**WHEN YOU ARE FINISHED...**

- In the event that you owe taxes, please enclose a check or money order payable to "Oklahoma Tax Commission". The taxpayer Federal Employer Identification Number and the tax year should be on your check or money order for your payment to be properly credited.
- When complete, make copies of all the documents for your records and do not enclose any other tax reports or correspondence in the envelope.
- Payments may also be made electronically. Visit our website for more information, [www.tax.ok.gov](http://www.tax.ok.gov).

• Please mail the originals, along with any payment due, to:

**Oklahoma Tax Commission  
Income Tax  
PO Box 26800  
Oklahoma City, OK 73126-0800**

## DIRECT DEPOSIT INFORMATION

All refunds, with very limited exceptions\*, must be made by direct deposit. Please complete the direct deposit box on the tax return to have the refund directly deposited into your account at a bank or other financial institution.

- 1** Place an 'X' in the appropriate box as to whether the refund will be going into a checking or savings account. Please keep in mind you will not receive notification of the deposit.
- 2** Fill out the routing number. The routing number must be nine digits. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will be rejected and a check will be issued instead. Using the sample check shown below, the routing number is **120120012**.
- 3** Enter your account number. The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check shown below, the account number is **2020268620**.

**Please Note:** The OTC is not responsible if a financial institution refuses a direct deposit. If a direct deposit is refused, a check will be issued to the address shown on your tax return.

\* **EXCEPTION!** Due to electronic banking rules, the OTC will no longer allow direct deposits to or through foreign financial institutions. If you use a foreign financial institution, or have a foreign address on your income tax return, you will be issued a paper check. If you have an address with an APO, FPO or DPO you are not considered to have a foreign address; your refund will be direct deposited.

**ABC Corporation**  
123 Main Street  
Anyplace, OK 00000

**1234**  
15-0000/0000

PAY TO THE ORDER OF **SAMPLE** \$   
DOLLARS

**ANYPLACE BANK**  
Anyplace, OK 00000

For **SAMPLE**

⑆120120012⑆ 2020268620 1234

**Account Number**

**Routing Number**

**Note:** The routing and account numbers may appear in different places on your check.

## HOW TO CONTACT THE OKLAHOMA TAX COMMISSION

Whether you need a tax form, have a question or need further information, there are many ways to reach us.

### VISIT US ON THE WEB!

You'll find a wealth of information on our web-site, including downloadable tax forms, answers to common questions, and online filing options for both income and business taxes!

[www.tax.ok.gov](http://www.tax.ok.gov)

### OFFICE LOCATIONS!

#### Oklahoma City

2501 North Lincoln Boulevard  
(405) 521-3160

#### Tulsa

440 South Houston, 5th Floor  
(918) 581-2399

### GIVE US A CALL!

The Oklahoma Tax Commission can be reached at  
(405) 521-3160.

The in-state toll free number is  
(800) 522-8165.

Press "0" to speak to a representative.

The Oklahoma Tax Commission is not required to give actual notice to taxpayers of changes in any state tax law.