

OKLAHOMA TAX COMMISSION

**Modernized e-File Handbook
for Tax Practitioners, EROs, Transmitters,
and Software Developers
Corporate Income Tax (Form 512) and
Small Business Corporate Income Tax (Form 512-S)**

Tax Year 2011



Revised 8-2012

INTRODUCTION	2
OKLAHOMA ELECTRONIC FILING CALENDAR	2
PUBLICATIONS.....	2
CHANGES TO 2011 INCOME TAX.....	3
CONTACT INFORMATION.....	5
ACCEPTANCE AND PARTICIPATION.....	5
TYPES OF RETURNS ACCEPTED	6
WHAT CAN BE TRANSMITTED ELECTRONICALLY	7
SUBMISSION/RETURN TYPE.....	7
ATTACHMENTS TO THE ELECTRONIC RETURN	7
COPY OF FEDERAL RETURN REQUIRED	8
WHAT CANNOT BE TRANSMITTED ELECTRONICALLY.....	8
SIGNATURE DOCUMENT (FORM EF).....	8
ACKNOWLEDGEMENT SYSTEM	9
BALANCE DUE RETURNS	10
REFUND RETURNS	11
CHANGES TO ELECTRONIC RETURNS	11
RESPONSIBILITIES OF ELECTRONIC FILERS	12

Introduction

The Oklahoma Tax Commission (OTC), in conjunction with the Internal Revenue Service (IRS), began accepting Oklahoma Corporate Income Tax returns (Form 512) and corresponding forms for tax year 2009 by method of the Modernized e-File system (MeF). During Tax Year 2011, Oklahoma expanded e-file to include the Small Business Corporation Income Tax Returns (Form 512-S).

The transmission method is a Web Service using Simple Object Access Protocol (SOAP) with attachments messaging. The return data is formatted using Extensible Markup Language (XML). Authorized E-File providers, also known as Electronic Return Originators (ERO's), can submit returns to the IRS MeF system for Federal and state return processing. The State submission can be transmitted as a "linked" return (also referred to as a Fed/State return) or as an "unlinked" return (also referred to as a State Standalone return). Each return (Linked or Unlinked) must be in a separate submission. Multiple submissions may be contained in a single message payload. Software developers must test with OTC prior to submitting live Fed/State or State Standalone returns.

Oklahoma Electronic Filing Calendar

For Tax Year 2011 Corporate Income Tax Returns (Form 512)

Begin Software Testing	10/31/2011
Begin Transmitting Returns	Same Date as IRS

For Tax Year 2011 Small Business Corporate Income Tax Returns (Form 512-S)

Begin Software Testing	8/13/2012
Begin Transmitting Returns	8/13/2012

Publications

Use this handbook in conjunction with the following publications. The Oklahoma Tax Commission conforms to all requirements, rules and regulations set forth by the IRS. Oklahoma publications are not intended to alter or amend the IRS requirements.

IRS Publication 3112 – *IRS e-file Application and Participation*

IRS Publication 4162 – *Modernized e-File (MeF) Test Package*

IRS Publication 4163 – *Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns*

IRS Publication 4164 – *Modernized e-File (MeF) Guide for Software Developers and Transmitters*

Oklahoma 512 Packet – *Corporate Income Tax return and instructions*

Oklahoma 512-S Packet – *Small Business Corporate Income Tax return and instructions*

Oklahoma 2011 MeF Schemas (For Software Developers)

Oklahoma Test Package for Electronic Filing of Corporate Income Tax Returns (For Software Developers) (Tax Year 2011)

Changes to 2011 Income Tax

Taxable Income:

Depletion – When computing Oklahoma depletion, the 50% net income limit applies to taxpayers whose tax year ends after December 31, 2011.

Credits: New Credits have been added to Form 511CR and existing credits amended.

Credit for Cancer Research Contribution - A credit is allowed to any taxpayer who makes a donation to a qualified cancer research institute. The credit is 50% of the amount donated, but may not exceed \$1,000 (\$2,000 for a married filing joint return). A “cancer research institute” means an organization which is exempt from taxation under the Internal Revenue Code (IRC) or a not-for-profit supporting organization, as defined by the IRC, affiliated with a tax-exempt organization. The tax exempt organization must have raising the standard of cancer clinical care in Oklahoma through peer-reviewed cancer research and education as its primary focus, be either an independent research institute or a program that is part of a state university which is a member of The Oklahoma State System of Higher Education, and receive at least \$4 million in National Cancer Institute funding each year. Any credit allowed but not used will have a four year carryover provision. A copy of the canceled check or receipt must be provided as proof of the donation.

Oklahoma Capital Investment Board Tax Credit – This is not a new credit, it is just being added to the Form 511CR. To claim the credit the taxpayer must enclose the Tax Credit Certificate issued by the Oklahoma Capital Investment Board as provided for in the Oklahoma Capital Formation Act. The Certificate will indicate the face amount of the Tax Credit and the State’s fiscal year in which the credit may be claimed. No Tax Credit shall be exercisable after July 1, 2015. Note: This credit, upon election of the taxpayer, may be claimed as a payment or prepayment of tax or as an estimated tax payment. If this election is made, the credit must still be claimed on Form 511CR.

Business Activity Tax Credit – A credit equal to the \$25 Business Activity Tax reported on Form BT-190 Part 2, line 1, is allowed. The credit may only be taken for the year in which the Business Activity Tax is levied and if such tax is timely paid. A limited liability company (LLC), including a single member LLC, does not qualify for this credit but will be entitled to a credit with the Oklahoma Secretary of State. An entity whose Business Activity Tax reported on Part 2, line 1 of Form BT-190 is greater than \$25 does not qualify for this credit. The credit may not flow through to the members of a pass-through entity.

Credit for Employees in the Aerospace Sector and Credits for Employers in the Aerospace Sector - The tax credit moratorium has been modified. This measure changes the moratorium time period for this credit to July 1, 2010 through June 30, 2011, thus shortening the moratorium period by one full year.

Refunds:

All income tax refunds, with very limited exceptions, issued on or after January 1, 2012 will be electronic. Corporate taxpayers must have their refunds directly deposited.

An exception for corporate taxpayers are those who use a foreign financial institution or have a foreign address, a paper check will be issued in these situations.

Check-off: There is one new check-off

Support Oklahoma Honor Flights – Taxpayers have the opportunity to donate any amount of a tax refund to support Oklahoma Honor Flights. Oklahoma Honor Flights is a 501(c)(3) non-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.

Miscellaneous:

Effective July 1, 2011 – Tax credits transferred or allocated must be reported on Form 569. Failure to file Form 569 will result in the affected credits being denied by the Oklahoma Tax Commission pursuant to 68 OS Section 2357.1A-2 (new law)

Please see the 2011 Legislative Update located on our website for a complete list of all changes.

Contact Information

For question or inquiries please contact:

E-File issues or Forms development

Joan Korthanke, E-File Coordinator

Ph. (405) 521-3637

Fax (405) 522-1711

E-Mail jkorthanke@tax.ok.gov

Mail Oklahoma Tax Commission

Joan Korthanke – Communications Division

PO Box 269060

Oklahoma City OK 73126-9060

General Corporate Income Tax questions

Corporate Income Tax Section

Ph. (405) 521-3126

Fax (405) 522-3283

E-Mail otcmaster@tax.ok.gov

Mail Oklahoma Tax Commission

Compliance Division – Corporate Income Tax

PO Box 269054

Oklahoma City OK 73126-9054

Other Information:

Oklahoma's website – www.tax.ok.gov

Taxpayer Assistance Division – (405) 521-3160

In-State Toll-free number – (800) 522-8165, plus 5 digit extension

Physical address: Oklahoma Tax Commission

2501 N Lincoln Blvd.

Oklahoma City OK 73194

Acceptance and Participation

EROs and transmitters must be approved with the IRS in order to submit Fed/State or State Standalone returns. You do not need to register with OTC. Upon IRS approval for electronic filing, you are automatically approved for Oklahoma.

Software Developers must register by completing Form D-104 “Software Developer Information Sheet For Electronic Filing of Corporate Income Tax Returns (Form 512 or 512-S)”. You will receive a confirmation that we have received your information. Once you have received the confirmation you may then transmit your test returns. You may download test returns from our website www.tax.ok.gov under the Developer/Preparer Info link.

Types of Returns Accepted

- **Linked (Fed/State)**

The Federal and state submissions do not have to be transmitted to MeF together. A state submission can be linked to the Federal submission by including the Submission ID of the Federal return in the state manifest. If the state submission is linked to a Federal submission (also referred to as a Fed/State return), the IRS will check to see if there is an accepted Federal submission under that Submission ID.

If there is not an accepted Federal return, the IRS will deny the state submission and an acknowledgement will be sent. Oklahoma will have no knowledge that the state return was denied (rejected) by the IRS.

If there is an accepted Federal return under that Submission ID, then the IRS will do minimal validation on the state submission and pass along to the state what the ERO/Transmitter sends in the State submission. Oklahoma will generate the acknowledgement for the Oklahoma return and send it to the MeF system for the transmitter to retrieve.

- **Unlinked (State Standalone)**

If the ERO/Transmitter does not link the state return to a previously-accepted Federal return (also referred to as State Standalone), the IRS will perform minimal validation and will pass along to the state the entire state submission that was sent in by the ERO/taxpayer. The state return is made up of the Oklahoma return and applicable Federal return; the taxpayer is required to provide both components. Oklahoma will generate the acknowledgement for the Oklahoma return and send it to the MeF system for the transmitter to retrieve.

What Can be Transmitted Electronically

The Oklahoma electronic return will consist of data transmitted as well as supporting PDFs. In total, an electronic return contains the same information as a comparable return filed entirely on paper.

The following is a list of all of the XML forms that Oklahoma accepts electronically. Software Developers are not required to support all of the supplemental forms that Oklahoma accepts electronically.

Income Tax Return

- Form 512 - Oklahoma Corporate Income Tax Return
- Form 512-S - Oklahoma Small Business Corporate Income Tax Return

Supplemental Forms

- Form 512-TI – Computation of Oklahoma Consolidated Taxable Income
- Form 511CR – Other Credits Form
- Form 561C – Oklahoma Capital Gain Deduction for Corporations Filing Form 512
- Form 561S – Oklahoma Capital Gain Deduction for Nonresident Shareholder Whose Income is reported on Form 512-S, Part 1
- Form 506 – Investment/New Jobs Credit

Note: Any of the above supplemental forms that a Developer does not support as XML data should be attached as pdf documents.

Submission/Return Type

Accepted Value is OK512 and OK512S

Attachments to the Electronic Return

The tax return may also include non-XML documents, known as “binary attachments”, submitted in PDF format. These attachments include items from the following sources:

- Form 512-SA – Nonresident Shareholder Agreement (must be signed)
- Form/Schedule not supported – any Oklahoma forms or schedules which are required to be filed with the return, but not supported in XML format.
- Supporting documentation – any supporting documentation required to be submitted with a form.
- Additional information – any additional information that needs to be filed with the return.

Approved MeF tax preparation software should provide the necessary instructions for creating, scanning or exporting documents in PDF format and submitting these documents as attachments that are required by Oklahoma and IRS publications, Code, and/or Regulations. Preparers will create the binary attachments as pdf documents and submit them as electronic files attached to the MeF return. Check with your software provider to see if your software will support binary attachments.

Copy of Federal Return Required

The complete Federal return and the necessary supporting schedules as submitted to the IRS are required to be submitted in XML and PDF format along with the Oklahoma return. If the taxpayer is included in the Federal return of a consolidated group, a copy of the pro-forma Federal return for the company must be included along with the first four pages of the consolidated Federal return and the consolidating income statement, balance sheet and schedule M-1/M-3 including applicable detailed schedules.

What Cannot be Transmitted Electronically

Oklahoma follows the IRS guidelines for MeF exclusions (Refer to IRS Publication 4164). In addition to the IRS guidelines, the following types of returns are excluded from electronic filing:

- Amended returns
- Subsequent returns.
- Filings that are a duplicate to a paper filed return.
- Returns with cent entries
- Corporate returns (Form 512) for a tax year prior to 2009. You must pass testing in order to e-file prior year returns.
- Small Business Corporate returns (Form 512-S) for a tax year prior to 2011.

Signature Document (Form EF)

The Form EF must be completed and signed by all required parties.

- The original is to be retained by the ERO, along with a copy of the e-Filed return, for 3 years and made available to OTC upon request. All EROs will be subject to periodic reviews by OTC to ensure the paperwork is being retained.
- The taxpayer must be provided with a copy of the Form EF along with documentation of all completed Oklahoma forms and schedules filed for the taxpayer. This documentation may be furnished on official Oklahoma forms, on copies of official forms, or on software designed forms that have been approved by OTC.

Entry of the Taxpayer's Personal Identification Number (PIN) or use of an electronic signature pad (as authorized by the Internal Revenue Service) in the electronic filing process operated by the IRS shall service as an "electronic signature". Entry of the taxpayer's PIN or use of an electronic signature pad as signature will only be allowed on a linked (Fed/State) electronically-filed return. Use of a PIN will not be allowed on an unlinked (State Standalone) return.

Acknowledgement System

Oklahoma generates an acknowledgement of acceptance for all returns received. Oklahoma does not reject e-Filed returns. If an electronic acknowledgement has not been received within 48 hours of our scheduled retrieval process for any transmitted return, the ERO should contact Oklahoma's E-File Coordinator for further instructions. **It is the responsibility of the ERO to ensure that every return filed electronically is acknowledged as accepted.**

Timeliness of Filing

All prescribed due dates for filing of returns apply to MeF returns. If any due date falls on a Saturday, Sunday or legal holiday when OTC's offices are closed, the return must be filed by the next business day.

Balance Due Returns

Taxpayers who file their return electronically can elect to pay their balance due by four different methods. The taxpayer is responsible for paying the amount due OTC when a return is filed or no later than the original due date.

- Direct debit (electronic funds withdrawal), for a full or partial payment when filing their return and choose an effective date.

Taxpayers may have their payments directly withdrawn from their checking or savings account. The bank routing and account numbers, the amount to be withdrawn and the date the funds are to be withdrawn must be supplied as part of the e-Filed return.

The RequestedPaymentDate in the StatePayment section of the FinancialTransaction is used to indicate an ACH Debit's Effective Date. Holidays and weekends are not valid effective dates. The effective date must be at least three business days after the filing date - any effective date not satisfying this requirement is unacceptable.

For example, a taxpayer files on February 10, 2012, the earliest effective date is February 15, 2012.

Oklahoma does not accept International ACH Transactions (IAT) at this time. If the IAT indicator field is marked, the taxpayer should submit the balance due by another means.

- Electronic Funds Transfer (EFT) ACH Credit or Debit.

Taxpayers can choose to have their payment directly withdrawn from their checking or savings account via the OTC website at www.tax.ok.gov. The taxpayer would click on link "payment options" and then "E-Check".

- Credit Card Payment

Credit cards accepted are Discover, Master Card, Visa and American Express. Credit card payments may be made via the OTC website at www.tax.ok.gov. The taxpayer would click on link "payment options" and then "Credit Cards". Payments can also be made by calling 1 (866) 289-0455.

- Check or money order accompanied by payment Form EF-V

Checks or money orders should accompany the Form EF-V and be mailed to the OTC at the following address:

Oklahoma Tax Commission
Electronic Filing
PO Box 26890
Oklahoma City OK 73126-0890

Do not mail a copy of the tax return with the payment.

If the taxpayer is making a partial payment, a billing coupon will be sent for the balance due at which time the taxpayer will have the option of paying the remaining balance in full, or making the minimum payment until the balance is paid in full.

Refund Returns

Taxpayers have three options when their return shows an overpayment of tax. They may elect to have any or all of their overpayment:

- Direct deposited into a checking or savings account. The bank routing and account numbers must be supplied as part of the e-Filed return. **Note:** *Due to the electronic banking rules, the Oklahoma Tax Commission will not allow direct deposits to or through foreign financial institutions or if the taxpayer has a foreign address on the tax return. The taxpayer will be issued a paper check.*
- Applied to next year's estimated tax
- Donated to a variety of Oklahoma organizations. See the 512 or 512-S instructions for a list of the organizations.

Taxpayers should first confirm acknowledgment of their Oklahoma return with their practitioner or transmitter. Tax preparers should wait at least 10 days from the date of acknowledgment before contacting the OTC about their refund.

Changes to Electronic Returns

After an electronic return is acknowledged as accepted, it cannot be recalled, intercepted or changed in any manner. If either the ERO or taxpayer wishes to change any entries on an accepted electronic return, an amended paper return must be filed.

Name, address or FEIN changes may be made by contacting the Corporate Section of our Compliance Division. Contact the Section by phone at (405) 521-3126, fax at (405) 522-3283, or by mail at Oklahoma Tax Commission, Corporate-Compliance Division, PO Box 269054, Oklahoma City OK 73126-9054. Be sure and include your name and telephone number on any correspondence.

Responsibilities of Electronic Filers

The guidelines in IRS Publications must be followed for Oklahoma Electronic Filing.

- **Penalties for Disclosure or Use of Information**

Guidelines outlined in Section 6, IRS Revenue Procedure 93-8 should be followed, as well as Title 68, Section 205 Oklahoma Statutes.

- **Penalties for Late Filing, Late Payment and Fraudulent Returns**

This provision provides due notice that all penalties, interest and criminal provisions which are applicable for paper returns, are also applicable for electronic returns. Specifically, penalty and interest on tax for late filing and/or late payment will be assessed.

Penalties will be assessed for any person filing a fraudulent or misleading return. Additionally any person who willfully subscribes or presents a fraudulent return will be subject to prosecution and the penalties.

- * Other criminal provisions will be applicable to the extent that a person attempts to commit forgery and falsify signatures on any electronic filing form or check

- * Any attempt to pass bad checks for payment of taxes will be prosecuted.

- **Advertising Standards**

Guidelines in IRS Publications and Revenue Procedure 93-8, Sec 12.01 through 03 and 05 through 09 must be followed for Oklahoma MeF, as though references to the IRS or Service were references to the OTC, State of Oklahoma, or the State and references to the FMS or Treasury Seals were references to the State of Oklahoma Seal.

- **Monitoring and Suspension of an Electronic Filer**

The OTC will monitor electronic filers for conformity to this publication. Under the MeF Program, the OTC can recommend suspension of an electronic filer for due cause through the local IRS District Office Coordinator.

Note: Warning letters, suspension and rejection from electronic filing will be administered by the local IRS District Director.