





## OKLAHOMA TAX COMMISSION

# ASSISTANCE GUIDE

(all numbers are within the "405" area code)

### **Account Maintenance Division**

Main Number .....521-4271

### **Ad Valorem Division**

Main Number .....319-8200

### **Communications Division**

Main Number .....521-3637

### **Compliance Division**

Audit - Main Number .....521-3251

Collections - Main Number .....521-3281

### **Legal Division**

Main Number .....319-8550

### **Motor Vehicle Division**

Main Number .....521-3221

### **Tax Policy and Research**

Tax Analysts .....521-3133

### **Taxpayer Assistance**

Taxpayer Resource Center .....521-3160

### **Other Key Numbers:**

**Forms Request:** Business Forms .....521-4667

Toll Free (within Oklahoma only) ..... 1 (800) 522-8165

(To be connected to a division other than Taxpayer Assistance, please enter the last five digits of the phone number of the division in which you wish to be connected)

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

E-mail address: **[otcmaster@tax.ok.gov](mailto:otcmaster@tax.ok.gov)**

## Changes to 2011 Income Tax From Prior Years' Legislative Sessions

Civil Service Retirement in Lieu of Social Security exclusion – The percentage of the taxable portion of civil service retirement received in lieu of social security which may be excluded has increased from 80% to 100%.

Military Pay exclusion – Effective July 1, 2010 the active duty military pay exclusion was increased from \$1,500 to 100%. For tax years 2011 through 2014, all of the resident's military wages, which are included in Federal Adjusted Gross Income, will be entered on Schedule 511-C or 511NR-C, line 1 "Military Pay Exclusion".

Nonrefundable Credits – Credits have been added to Form 511CR

*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. Title 68 O.S. § 2357.45 and Rule 710:50-15-113.

*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. Title 74 O.S. § 5085.7

Check-offs – There are two new check-offs:

*Support Oklahoma Honor Flights* – Corporate and individual 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. 68 O.S. § 2368.20

*Eastern Red Cedar Revolving Fund* - Individual taxpayer may help stimulate rural development, improve public health and enhance wildlife habitat by donating to the Eastern Red Cedar Revolving Fund. The Fund was established to promote the harvesting and utilization of eastern red cedar trees and to promote the marketing, research and education efforts concerning the tree and eastern red cedar products. Monies donated may be expended by the State Board of Agriculture as directed by the Eastern Red Cedar Registry Board. A donation may be made whether the taxpayer is receiving a refund or has a tax due. 2 O.S. § 18-408

# Summary of 2011 Tax Legislation

## Income Tax

### Miscellaneous

#### **House Bill 1284** - *Effective July 1, 2011*

Involves reporting requirements for tax credits which are transferred or allocated. Taxpayers are to report, on an annual basis, to the Tax Commission or Insurance Department the amount of credit generated and the statutory basis for each credit. If the credit is transferable, the report will include whether the credit will or may be transferred, and the name of the taxpayer to whom the credit is transferred. The report shall also include whether the credit will or may be allocated by a pass-through entity and the identity of the transferees. If a taxpayer fails to file the report as required, the Tax Commission or Insurance Department shall disallow the tax credit; however, upon filing of the report, the credit shall be allowed. 68 O.S. § 2357.1A-1 (new law).

#### **Senate Bill 123** - *Effective August 26, 2011*

Requires the Oklahoma Tax Commission to initiate a compliance program to increase the assignment of audit staff to conduct audits of corporate and partnership income tax returns.

## Effective for Tax Year 2011

### **Credits:**

#### **House Bill 1008**

The Credit for Employees in the Aerospace Sector and the Credits for Employers in the Aerospace Sector were amended.

- 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.
- Establishes a sunset date, so that no credits may be established for tax years beginning on or after January 1, 2015.

68 O.S. §§ 2357.302, 2357.303 and 2357.304

## **Refunds:**

### **Senate Bill 123**

A card-based disbursement system may be used in lieu of checks for the purposes of issuing refunds for overpayment of individual income taxes. The Tax Commission may enter into a contract with, and release taxpayer information to, entities deemed to be qualified to implement the card-based disbursement system. The full social security number of taxpayers will not be released to such entities. 68 O.S. § 2385.16

## **Effective for Tax Year 2012**

### **Income Tax Check-off:**

#### **House Bill 1852**

Corporate and individual taxpayers will be provided the opportunity to donate for the benefit of the Public School Classroom Support Revolving Fund. Monies from the fund may be expended by the State Board of Education for the purposes of providing grants to public school classroom teachers. The State Board of Education shall award one or more grants annually to classroom teachers for supplies, materials, or equipment. A donation may be made whether the taxpayer is receiving a refund or has tax due. 70 O.S. § 1-122 (new law)

#### **House Bill 1998**

Corporate and individual taxpayers will be provided the opportunity to donate for the benefit of domestic violence and sexual assault services in Oklahoma that have been certified by the Attorney General. Donations may be used to provide grants to domestic violence and sexual assault services providers for the purpose of providing domestic violence and sexual assault services in Oklahoma. The term “services” include but are not limited to programs, shelters or a combination thereof. 68 O.S. § 2368.22 (new law)

Corporate and individual taxpayers will be provided the opportunity to donate for the benefit of volunteer fire departments in Oklahoma. Monies donated may be expended by the Office of the State Fire Marshal for the purpose of providing grants to volunteer fire departments in this state for the purchase of bunker gear, wildland gear and other protective clothing. 68 O.S. § 2368.23 (new law)

Corporate and individual taxpayers will be provided the opportunity to donate for the benefit of the Oklahoma Lupus Revolving Fund. Monies donated may 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. 68 O.S. § 2368.24 (new law)

Amends two of the current income tax check-offs by removing the \$25 limit on the amount that can be donated to the Y.M.C.A. Youth and Government Program and to the Multiple Sclerosis Society Fund. 68 O.S. §§ 2368.17 and 2368.21

## **Senate Bill 949**

Corporate and individual taxpayers will be provided the opportunity to donate for the benefit of the Oklahoma Sports Eye Safety Program Revolving Fund. Monies donated will be expended by the State Department of Health for the purposes of exploring opportunities to utilize nonprofit organizations to provide sports eye safety equipment to children age 18 and under and establishing a sports eye safety grant program for the purchase and distribution of sports eye safety programs and materials to classrooms in this state and sports eye safety protective wear to children age 18 and under. 68 O.S. § 2368.25 (new law)

Corporate and individual taxpayers will be provided the opportunity to donate for the purpose of supporting music festivals held in the Historic Greenwood District. Monies donated will be expended by the Oklahoma Historical Society for the purpose of promoting and supporting music festivals in the Historic Greenwood District. 68 O.S. § 2368.26 (new law)

## **Effective for Tax Year 2013**

### **Credits:**

#### **Senate Bill 969**

Enacts the Oklahoma Equal Opportunity Education Scholarship Act under which two credits are created; a credit for contributions to an eligible scholarship-granting organization and a credit for contributions to an eligible educational improvement grant organization. Each credit will be 50% of the total amount contributed but not to exceed \$1,000 for a single individual, \$2,000 for married individuals filing jointly or \$100,000 a legal business entity. However each credit has an overall cap\* and if the total credits eligible to be claimed for a particular credit exceed its specified cap, the credit allowed will be reduced to the taxpayer's proportionate share of the cap. For any taxpayer who makes a contribution to an eligible educational improvement grant organization, and makes a written commitment to contribute the same amount for the next two years, the credit will be 75% of the total amount of the contribution made in the first year. Any credits earned during the time period beginning August 26, 2011 through December 31, 2012, may not be claimed until tax year 2013. Any credit allowed but not used will have a three-year carryover provision.

A "scholarship-granting organization" means a nonprofit organization which distributes scholarships so an eligible student, or an eligible special needs student, can attend an elementary and secondary private school. An eligible student is one whose household income does not exceed 300% of the income standard for free or reduced school lunch and who attended, or was eligible to attend, a public school identified for school improvement under the No Child Left Behind Act of 2001. Once a student has received an educational scholarship, the student and any siblings who are members of the same household will remain eligible until they graduate from high school or reach age 21, whichever occurs first. An eligible special needs student is a school age special needs student who attended an Oklahoma public school with an individualized education program for students with disabilities.

An “educational improvement grant organization” means a nonprofit organization which contributes at least 90% of its annual receipts as grants to eligible public schools for innovative educational programs. An innovative educational program is an advanced academic or academic improvement program that is not part of the regular coursework of a public school but that enhances the curriculum or academic program of the school or provides early childhood education programs to students.

\* The total credit claimed by all individual taxpayers, and the total credit claimed by all business entities, for contributions made to eligible scholarship-granting organizations are each separately capped at \$1.75 million annually. The total credit claimed by all individual and business entities for contributions made to eligible educational improvement grant organizations is capped at \$1.5 million annually. Each organization will provide the Tax Commission with information on each contribution accepted during the year and will notify each contributor that Oklahoma law provides for a total statewide cap on the amount of income tax credits allowed annually. The Tax Commission will publish the percentage of the contribution which may be claimed for the most recently completed calendar year on its website no later than February 15<sup>th</sup> and each organization will notify contributors of that amount.

68 O.S. § 2357.206 (new law)

## **Ad Valorem Tax**

**House Joint Resolution 1002** - *Effective upon approval of voters - Operative January 1, 2013*

Amends Article 10, Section 8B of the Oklahoma Constitution modifying the maximum allowable increase in any taxable year for locally assessed homestead and agricultural property from 5% to 3%.

**House Bill 1903** - *Effective November 1, 2011*

The postmark date of a return, claim, statement or other document or payment required to be filed with a county assessor is deemed to be the date of delivery or the date of payment. The measure outlines the specific conditions under which the postmark provisions apply and states that these provisions do not apply to documents or payments required to be delivered by any method other than by mailing. Further, the measure states that registration of a claim, statement, or other document or payment sent by United States registered mail, shall be prima facie evidence that the return, claim, statement, or other document or payment was delivered to the applicable county assessor and the registration date deemed the postmark date. Also, the measure provides that if the prescribed filing or payment period ends on or the filing or payment date is a legal holiday as defined by 25 O.S. § 82.1 or any other day when the office of the county assessor does not remain open for the regularly scheduled time then the prescribed period or prescribed date shall be extended until the end of the next day upon which the office of the county assessor is open for public business until the regularly scheduled closing time. 68 O.S. § 2802.2 (new law)

**Senate Bill 104 - *Effective August 26, 2011***

Allows county treasurers the option in lieu of regular mailing to instead send the tax statement outlining the ad valorem taxes assessed against the taxpayer's real and personal property for the current year and all delinquent taxes for previous years by electronic mail provided the taxpayer has submitted a written request to receive the statement electronically. 68 O.S. § 2915

**Senate Bill 105 - *Effective November 1, 2011***

The measure mandates that the State Board of Equalization (Board) set a fee or schedule of fees each year at its December 1 meeting to be used by county assessors for the search, production and copying in electronic and/or digital format of property data, administration files, sketches and pictures for the real property maintained within the county assessors' computer systems for commercial purposes. 68 O.S. § 2864

**Senate Bill 935 - *Effective January 1, 2012***

The measure provides that an entity which has been granted a five-year manufacturing exemption for a period which included calendar year 2009 but did not meet the base-line payroll requirements during calendar year 2009 shall be allowed an exemption, to begin on January 1, 2013, for the number of years including calendar year 2009 remaining in the entity's five-year exemption period, provided such entity attains or increases payroll at or above the base-line payroll established for the exemption which was in force during calendar year 2009. 68 O.S. § 2902.

## **Cigarettes & Tobacco Products**

**Senate Bill 179 - *Effective August 26, 2011***

Clarifies that the sale of cigars packaged by the manufacturer in containers or tubes made of glass to facilitate the sale of the item and not other prohibited purposes is not disallowed by the provisions of this section of the Uniform Controlled Dangerous Substances Act. 63 O.S. § 2-101.2

## **Gross Production & Petroleum Excise Taxes**

**House Bill 1488 - *Effective January 1, 2012***

Removes gold and silver from the levy of gross production tax as well as extends the sunset date for certain gross production tax incentives from July 1, 2012, to July 1, 2014, for secondary and tertiary projects, reestablished production, production enhancements, certain deep wells, new discovery and 3-D seismic wells. 68 O.S. § 1001

**Senate Bill 587** - *Effective August 26, 2011*

Extends the sunset date for the tax rate on petroleum excise tax from July 1, 2011 to July 1, 2016 for both oil and natural gas to be levied at .095 of 1% of the taxable value realized from the first sale of the product. 68 O.S. §§ 1101, 1102 and 1103

**Senate Bill 885** - *Effective August 26, 2011*

Clarifies provisions that were previously amended under House Bill 2432 during the 2010 legislative session relating to certain horizontal and deep wells that qualify for a reduction of the gross production tax rate. The previous amendment inadvertently excluded qualifying wells which exist prior to July 1, 2011. 68 O.S. § 1001

## **Miscellaneous**

### **Coin Operated Vending Device Fees**

**House Bill 1634** - *Effective July 1, 2011*

Decreases the annual fee for each coin operated music device, coin operated amusement device and any coin operated vending device requiring a coin or thing valued at \$0.25 cents or more from \$150 to \$75. 68 O.S. § 1503.

### **Fireworks Licensing**

**House Bill 1475** - *Effective August 26, 2011*

Provides that every retail sale of fireworks by a wholesaler, distributor, manufacturer or retailer shall be subject to sales tax. Further, the section requires that all retail fireworks locations must possess a current sales tax permit which is to be conspicuously posted and immediately available for examination. Also, the Section provides that vendors failing to collect sales tax shall be subject to the penalties provided in Section 1361 of Title 68. 68 O.S. § 1634.

**Senate Bill 844** - *Effective May 1, 2012*

Removes the language which allowed for a period of 60 days after the passage of Senate Bill 2253 [2010]<sup>1</sup> for any licensed manufacturer, distributor, and wholesaler permitted to sell fireworks at wholesale or retail<sup>2</sup> to apply for a license and transfers the fireworks licensing and fee collection responsibility from the Oklahoma Tax Commission to the State Fire Marshal's Office. The measure also provides that any person engaged in more than one of the licensed

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<sup>1</sup> Effective June 8, 2010.

<sup>2</sup> In accordance with Section 1623 of Title 68 of the Oklahoma Statutes.

activities—manufacturer, distributor or retailer—shall only pay one license fee based on the classification requiring the higher fee. 68 O.S. § 1625

## **Waste Tire Recycling Fee**

**House Bill 1939** - *Effective July 1, 2011*

The measure renames the Waste Tire Recycling Act the Used Tire Recycling Act and increases the \$1.00 recycling fee for all tires with rim diameters of seventeen and one half inches or less to \$2.50. 27A O.S. §§ 2-11-401 and 2-11-403

## **Motor Fuels**

**House Bill 1815** - *Effective January 1, 2012*

Extracts compressed natural gas from the definition of special fuels, eliminates the special fuel fee currently imposed on users of CNG and removes the requirement for issuance of the special fuel decal for vehicles using CNG. In lieu of the special fuel fee, the measure levies a tax on the sale of CNG in the amount of five cents (\$0.05) per gasoline gallon equivalent (gge). 68 O.S. §§ 500.4, 701, and 723

## **Motor Vehicle**

**Senate Bill 38** – *Effective November 1, 2011*

This bill modifies the Oklahoma Vehicle License and Registration Act, adding a definition of "rebodied vehicle" to mean a vehicle that has been assembled using a new original manufacturer licensed body or major component and is not a salvage, rebuilt or junked vehicle. It adds "rebodied title" as an additional type of certificate of title that may be issued by the Oklahoma Tax Commission. A "rebodied vehicle" will retain the replicated Yr/Make/Model notation, but display an Oklahoma Assigned Number (OAN), instead of original VIN. 47 O.S. §§ 1102 and 1105

**Senate Bill 902** - *Effective January 1, 2012*

Creates the Recreational Vehicle Franchise Act. The substance of this measure addresses the dealer licensing requirements and the business relationship between licensed dealers and manufacturers. The bill creates a new class of vehicle (recreational vehicle) for which new dealer licenses and regulatory administration would be performed by the Oklahoma Motor Vehicle Commission. The definitions for recreational vehicle and travel trailer differ somewhat from the current definitions set forth in the Oklahoma Vehicle License and Registration Act,

which also provides a definition for new and used travel trailer dealers. 47 §§ 596 - 596.16 (new laws), 562, and 564.1

## Sales & Use Tax

### **House Bill 1231** - *Effective August 26, 2011*

Removes the condition that the no file sales tax returns must be for consecutive periods before referral to debt collection agency. 68 O.S. § 255

### **House Bill 1954** - *Effective August 26, 2011*

The measure provides that sales made to any person making purchases pursuant to a contractual relationship for the construction and improvement of manufacturing goods, wares, merchandise, property, machinery and equipment for use in a manufacturing operation shall be considered sales to a manufacturer which is classified in the North American Classification System (NAICS) Manual under Industry Group No. 324110 [Petroleum Refinery]. 68 O.S. § 1359(1).

### **Senate Bill 13** - *Effective August 26, 2011*

Amends the definition of “increment” to provide that *regardless of taxable location or recipient local public taxing entity* increment includes local taxes or fees collected each year reasonably determined by a formula approved by the governing body to be generated by the project which may be apportioned for specific project costs or as a specific revenue source for other public entities in the area in which the project costs take place. 62 O.S. § 853

Strikes contiguous from the description of a district<sup>3</sup> that a city, town, or county may by agreement jointly create with another entity and allows the governing body of a district to defer creation of the district up to ten years after the approval date of the project plan. 62 O.S. § 856

### **Senate Bill 123** - *Effective August 26, 2011*

Provides for ten additional sales and use tax audit / enforcement personnel and authorizes hearings under 68 O.S. § 212 to be conducted in at least two locations in the state to increase sales and use tax collections. 68 O.S. § 1364.3 (new law)

### **Senate Bill 750** - *Effective September 1, 2011*

Authorizes municipalities under the stated conditions to engage in compliance activities either directly or through contract with private persons or entities to augment the collection of municipal tax by the Tax Commission. 68 O.S. § 2702(E).

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<sup>3</sup> Incentive District authorized by Section 860 of Title 62 or Increment District authorized by Section 861 of Title 62.

## Quality Jobs

### **Senate Bill 154** - *Effective November 1, 2011*

Changes the eligibility requirements for establishments to receive incentive payments pursuant to the 21<sup>st</sup> Century Quality Jobs Incentive Act. Under current law if an establishment fails to meet eligibility requirements in 4 consecutive quarters during a 39 quarter time period, that establishment is ineligible for further incentive payments. This measure makes establishments ineligible for further incentive payments if eligibility requirements are not met for 4 consecutive quarters during the 28 quarter time period provided the establishment has met the eligibility requirements within 12 quarters after their initial application. 68 O.S. § 3915

### **Senate Bill 731** - *Effective November 1, 2011*

Amends the Oklahoma Quality Jobs Program Act, specifically as it relates to qualified federal contracts.

The measure 1) modifies the definition of a qualified federal contract, 2) allows the federal contract verifier and the Department of Commerce to analyze work performed and work items that would qualify as a basic industry, rather than the NAICS code of federal contractor for eligibility, and 3) sets a priority for claiming the Quality Jobs incentive payments if neither the subcontractor nor the federal contractor elects to defer the incentive payments.

68 O.S. §§ 3603 and 3604.1

## Withholding

### **House Bill 1231** - *Effective August 26, 2011*

Provides authorization for the Tax Commission to refer to collection agencies withholding tax accounts with two or more delinquent no file returns conditioned upon prior notification to the taxpayer.

## Administrative

### **House Bill 1044** - *Effective November 1, 2011*

Requires an agency filing rules under the Administrative Procedures Act to provide the citation to any federal or state law, court ruling or any other authority requiring a new rule or amended rule. It also requires any rule which establishes or increases fees, or any rule by an agency, board, or commission created by Title 59 of the Oklahoma Statutes, to be approved by the Legislature by joint resolution. If the Legislature fails to approve the rule on or before the last day of session, the rule is deemed disapproved. 75 O.S. §§ 303.1 and 308.

**House Bill 1086** - *Section 2 effective July 1, 2012; remaining Sections effective August 26, 2011*

Creates the Transparency, Accountability and Innovation in Oklahoma State Government 2.0 Act of 2011; provides that payments disbursed from the State Treasury shall be issued through electronic payments only (effective July 1, 2012); creates a website to provide public access to electronic documents, publications and forms; requires state agencies to enter into a shared-services arrangement with the Office of State Finance for the provision of payroll processing services; creates a website to publish data on all state expenditures and state revolving funds; and provides for an electronic receipt for reimbursement of registration fees and travel reimbursement claims. 62 O.S. §§ 34.64, 34.11.1.1 (new law), 34.11.2, 34.11.3 (new law), 34.11.4 (new law), 34.11.5 (new law), 34.11.6 (new law), 34.11.7 (new law) and 34.11.8 (new law); 74 O.S. §§ 20, 85.7e (new law), 500.13 and 500.15.

**House Bill 1285** - *Effective July 1, 2011*

*Creates the Task Force for the Study of State Tax Credits and Economic Incentives.* The ten member task force shall hold their first meeting no later than September 30, 2011 and submit a final written report of its findings and recommendations regarding transferable tax credits no later than December 31, 2011. 68 O.S. § 2357.1A-1 (new law).

**House Bill 1489** - *Effective January 1, 2012*

Requires specific data on road funding to be placed on the “Open Books” website. The information must include historical and current revenue collections and apportionment data on fuel tax collections, gross production tax collections, motor vehicle collections and motor vehicle excise tax collections.

Removes the date-specific directive to the Tax Commission to prepare and maintain a list of all taxpayers who claimed any tax credit beginning in tax year 2011. The removal would result in the directive to the Commission to be effective upon the effective date of the bill, or January 1, 2012. 68 O.S. § 205.6

**Senate Bill 541** - *Effective August 26, 2011*

Creates the Oklahoma Innovation, Efficiency and Accountability Act of 2011.

Authorizes state agencies to accept an electronic signature in the application process for any license or permit excluding driver license renewal applications; provided, the use of an electronic signature does not create a significant risk to the integrity of the license or permit. 62 O.S. § 41.5p-1 (Recodified as 62 O.S. § 34.24.1)

**Senate Bill 772** - *Effective August 26, 2011*

Creates the Business and Professional License Facilitation Task Force to evaluate the feasibility of establishing a central contact point or agency for the facilitation of business and professional licenses and applications in Oklahoma by studying existing governmental models in other states. The task force will make a report of its findings and recommendations no later than December 1, 2011.