Oklahoma Tax Commission

MeF Electronic Return Filing Guide
for Software Developers

Oklahoma Individual Income Tax

Tax Year 2015

August 21, 2015
MeF Electronic Return Filing Guide for Software Developers .......................................................... 1
Oklahoma Individual Income Tax ........................................................................................................ 1
Tax Year 2015 ....................................................................................................................................... 1
MeF Electronic Filing Program ..................................................................................................... 2

The Following Type of Return Will be Accepted: ................................................................. 2

Composition of an Electronic Return .................................................................................. 3

Electronic Portion of the Return ......................................................................................... 3

Non-Electronic Portion of the Return .................................................................................. 5

Exclusions from Electronic Filing .......................................................................................... 5

Acknowledgment System ................................................................................................... 5

Financial Transaction ........................................................................................................... 6

Direct Debit: ............................................................................................................................. 6

IAT (International ACH Tranacation) .................................................................................... 6

Other Guidelines ....................................................................................................................... 6

Appendix A: Oklahoma’s Filing Requirement ................................................................. 8

Appendix B: Oklahoma Deductions ...................................................................................... 9

Appendix C: Oklahoma Tax Rate Schedules ........................................................................... 9

Appendix D: Oklahoma Use Tax ............................................................................................ 10

MeF Electronic Filing Program

These instructions are intended to be compliant with the IRS Electronic Filing Program and IRS Publications 1345, Handbook for Electronic Filers of Individual Income Tax Returns, and 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns. Only Electronic Return Originators and Transmitters that have been accepted into the IRS program may participate in the Oklahoma program. Applicants must pass certain state suitability checks before they are accepted.

The Following Type of Return Will be Accepted:

Linked (also referred to as a Fed/State return): The Federal and State returns do not have to be transmitted together. The State return can be transmitted after the Federal return is transmitted and has been accepted by the IRS. The Federal and State returns will be linked by including the Submission ID of the Federal return in the State manifest. A copy of the Federal information must be included with the Oklahoma return.

Unlinked return (also referred to as a state standalone return) will not be accepted.
Composition of an Electronic Return

An electronic return consists of data transmitted to the Oklahoma Tax Commission (OTC) electronically, and paper documents (filed with OTC at a later date) which contain information that cannot be electronically transmitted or are requested for verification (e.g., taxpayer signatures and W-2's). In total, electronic returns contain the same information as a comparable return filed entirely on paper documents.

Electronic Portion of the Return

For tax year 2015, the following forms and schedules may be filed electronically:

**OTC Form 511**  Oklahoma Resident Individual Income Tax Return

**OTC Form 511NR**  Oklahoma Part-year and Nonresident Individual Income Tax Return

**OTC Form 511 CR**  Other credits to Oklahoma Income Tax
This form is used to report the other credits to Oklahoma income tax reported on Form 511, line 17 or Form 511NR line 22

**OTC Form 511-TX**  Claim for Tax Paid to another State
This form is used to report credit for taxes paid to another state and reported on Form 511, line 16 or Form 511NR, line 21. Use a separate form for each state reported.

**OTC Form 538-H**  Claim for Credit or Refund of Property Taxes
This form is used to report low income property tax credit reported on Form 511, line 25 (may not be filed separately).

**OTC Form 538-S**  Claim for Credit or Refund of Sales Tax
This form is used to report sales tax relief credit reported on Form 511, line 26 (may not be filed separately).

**OTC Form 561**  Oklahoma Capital Gain Deduction for Residents Filing Form 511
This form is used to report the capital gain deduction reported on Schedule 511-A, line 12

**OTC Form 561NR**  Oklahoma Capital Gain Deduction for Part-year and Nonresidents Filing Form 511NR
This form is used to report the capital gain deduction reported on Schedule 511NR-B, line 13

**OTC Form OW-8-P**  Underpayment of Estimated Tax Worksheet
This form is used to report the underpayment of estimated tax interest reported on Form 511, line 41 or Form 511NR, line 42.

**OTC Form 567-A**  Credit for Investment in Clean-Burning Motor Vehicle Fuel Property
This form is used to report the credit reported on Form 511CR, line 3a and 3b.

**OTC Form 576**  Natural Disaster Tax Credit
This form is used to report the refundable credit reported on Form 511, line 27.

**OTC Form 577**  Refundable Coal Credit
This form is used to report the refundable credit reported on Form 511, line 29 or Form 511NR, line 30.
OTC Form 578  Refundable Coal for Electricity Generated by Zero-Emission Facilities
This Form is used to report the refundable credit reported on Form 511, line 29 or Form 511NR, line 30.

OTC Form 500-A  Information Return – Production Payments
Use this form if it shows Oklahoma withholding.

OTC Form 500-B  Information Return – Nonresident Member Income Tax Withheld
Use this form if it shows Oklahoma withholding.

State 1099G  Certain Government Payments
Use this form if it shows Oklahoma withholding.

State 1099Misc  Miscellaneous Income
Use this form if not part of the federal return and it shows Oklahoma withholding.

PDF  Binary Attachments
Use to provide any substantiation or additional information.
The complete electronic portion of the federal income tax return must also be filed using the IRS format. An XML copy of all federal forms and schedules sent with the federal return must be included with the state return.
Non-Electronic Portion of the Return

The non-electronic portion of the return consists of the following:

Oklahoma Individual Income Tax Declaration for Electronic Filing (OTC Form 511-EF), is required for all electronic returns and is to be retained by the ERO for three (3) years.

Copies of forms W-2, W-2G, or 1099-R, which would normally be attached to a paper return, must be attached to form 511-EF and retained by ERO. ERO’s may be subject to inspection of records by the OTC during the filing season.

If a return contains any forms or supporting schedules listed below and binary attachments* are not supported, they should be attached to the 511EF and mailed to the Oklahoma Tax Commission by the taxpayer. These are not part of the electronic record and may be required by OTC.

- Form OW-8-P-Sup-I Annualized Income Installment
- Form 511 NOL-Oklahoma Net Operating Loss
- Form 573 Farm Income Averaging
- COFT’s Form Oklahoma Volunteer Firefighter Tax Credit
- Include a copy of other state’s income tax return if Form 511TX is filed.
- Include any Oklahoma Statements containing additional information.

NOTE: The 511EF should be placed on top as a cover page. Do not mail copies of the Oklahoma Income Tax Return, Federal Income Tax Return or withholding statements. Only mail the 511EF to the OTC if you have any of the above forms as part of the transmitted tax return.

* If binary attachments are supported these forms and/or supporting schedules are attached, as PDFs, to the e-Filed return.

Exclusions from Electronic Filing

The following types of returns are excluded from electronic filing for Processing Year 2016:

1. Returns from preparers, originators, or transmitters who have not been accepted into the Electronic Filing Program.
2. Amended or corrected returns.
3. Returns for any tax year prior to 2013. You must pass testing in order to e-File prior year returns.
4. Returns with dollars and cents entries. Only whole dollar amounts will be accepted.
5. Unlinked returns (also referred to as a state standalone return)

Acknowledgment System

The Tax Commission will generate an acknowledgement of acceptance or rejection for all returns received. The acknowledgment record will be in a format approved and agreed upon the IRS, state agencies, transmitters and software developers. See Appendix E: for Business Rules

Transmitters and software developers should allow 1 business day to receive the state acknowledgement before contacting the Tax Commission.
Financial Transaction

Direct Debit:
The RequestedPaymentDate in the StatePayment section of the FinancialTransaction is used to indicate an ACH Debit's Effective Date. It is in ‘YYYYMMDD’ format. Holidays and weekends are not valid effective dates.

IAT (International ACH Transaction)
Oklahoma does not accept IAT transaction at this time. If the IAT indicator field is marked with an “X” a paper check will be issued if a refund is due, or the taxpayer should submit the balance due in a timely manner.

Other Guidelines

- The ‘SoftwareID’ data element is required in the schema and should be populated with the Software ID from your Software Developer Letter of Intent (Form D-106).

- Submission/Return Types: Accepted values for the State Submission Type in the Manifest and the Return Type in the Return Header are OK511 and OK511NR.

- AdditionalSchedule element – The Additional Schedule may be used to provide detailed information for the associated line on the tax return. For example the amount of out-of-state income entered on the Form 511, line 4 may be from multiple sources. The AdditionalSchedule element is a method by which to provide the detail.

Example for Out Of State Income (Form 511, line 4 a & b):
Path
<ReturnState><ReturnDataState><FormOK511><PartOne><OutOfStateIncome>
<ReturnState><ReturnDataState><FormOK511><PartOne><OutOfStateIncomeDescription>
<ReturnState><ReturnDataState><FormOK511><PartOne><OutOfStateIncomeAdditionalSch>

XML
<OutOfStateIncome>1196</OutOfStateIncome>
<OutOfStateIncomeDescription>See Additional Schedule</OutOfStateIncomeDescription>
<OutOfStateIncomeAdditionalSch>
  <ScheduleName>Out of State Income</ScheduleName>
  <ScheduleBody>
    <Text>Net Kansas Rental Income</Text>
    <Amount>1136</Amount>
  </ScheduleBody>
  <ScheduleBody>
    <Text>Net Texas Royalty Income</Text>
    <Amount>60</Amount>
  </ScheduleBody>
</OutOfStateIncomeAdditionalSch>
Part One of Form 511 would appear as follows:

<table>
<thead>
<tr>
<th>Part One: To Arrive at Oklahoma Adjusted Gross Income</th>
</tr>
</thead>
</table>
| 1. Federal adjusted gross income (from Federal 1040, 1040A, or 1040EZ) | \[ \]
| 2. Oklahoma Subtractions (enclose Schedule 511-A) | \[ \]
| 3. Line 1 minus line 2 | \[ \]
| 4. Out-of-state income, except wages. Describe (4a) | \[ See Additional Schedule \]
| 5. Enclose Federal schedule with detailed description; see instructions | \[ \]
| 6. Line 3 minus line 4b | \[ \]
| 7. Oklahoma Additions (enclose Schedule 511-B) | \[ \]
| 8. Oklahoma adjusted gross income (line 5 plus line 6) | \[ \]

The additional schedule would appear as follows:

<table>
<thead>
<tr>
<th>Additional Schedule – Out of State Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
</tr>
<tr>
<td>Net Kansas Rental Income</td>
</tr>
<tr>
<td>Net Texas Royalty Income</td>
</tr>
</tbody>
</table>

- ExplanationStatement element -

The Explanation Statement may be used to provide additional information. For example if the taxpayer wants to elect to forego the Oklahoma Net Operating Loss carryback period, the ExplanationStatement element may be used for this election.
Resident -

Every Oklahoma resident who has sufficient gross income to require the filing of a Federal income tax return is required to file an Oklahoma return, regardless of the source of the income. See Chart A & Chart B.

### Appendix A: Oklahoma’s Filing Requirement

#### Chart A: Federal Filing Requirements for Most People

<table>
<thead>
<tr>
<th>Status</th>
<th>Under 65</th>
<th>65 or older</th>
<th>Gross Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$10,300</td>
<td>$11,850</td>
<td></td>
</tr>
<tr>
<td>Married Filing Joint***</td>
<td>$20,600</td>
<td>$21,850</td>
<td></td>
</tr>
<tr>
<td>Married Filing Separate</td>
<td>$4,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head of Household</td>
<td>$13,250</td>
<td>$14,800</td>
<td></td>
</tr>
<tr>
<td>Qualifying Widow(er)</td>
<td>$16,600</td>
<td>$17,850</td>
<td></td>
</tr>
<tr>
<td>with a Dependent Child</td>
<td>$16,600</td>
<td>$17,850</td>
<td></td>
</tr>
</tbody>
</table>

*If you turned age 65 on January 1, 2015, you are considered to be 65 at the end of 2015.

**Gross income means all the income you received in the form of money, goods, property, and services that is not exempt from federal tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it).

Do not include any social security benefits unless (a) you are married filing separate and you lived with your spouse at any time in 2015 or (b) one-half of your social security benefits plus your other gross income and any federally tax-exempt interest is more than $25,000 ($32,000 if married filing jointly). If (a) or (b) applies, see the instructions for Federal Form 1040 or 1040A to figure the taxable part of social security benefits you must include in gross income.

***If you did not live with your spouse at the end of 2015 (or on the date your spouse died) and your gross income was at least $4,000, you must file a return regardless of your age.

#### Chart B: Federal Filing Requirements for Children and Other Dependents

** Were you either age 65 or older or blind?**

- **No.** You must file a return if any of the following apply:
  - Your unearned income was over $10,500.
  - Your earned income was over $6,300.
  - Your gross income was more than the larger of:
    - $10,500, or
    - Your earned income (up to $5,950) plus $300.

- **Yes.** You must file a return if any of the following apply:
  - Your unearned income was over $2,600 ($4,150 if 65 or older and blind).
  - Your earned income was over $7,850 ($9,400 if 65 or older and blind).
  - Your gross income was more than the larger of:
    - $2,600 ($4,150 if 65 or older and blind), or
    - Your earned income (up to $5,950) plus $1,900 ($3,450 if 65 or older and blind).

** Were you either age 65 or older or blind?**

- **No.** You must file a return if any of the following apply:
  - Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
  - Your unearned income was over $10,500.
  - Your earned income was over $6,300.
  - Your gross income was more than the larger of:
    - $10,500, or
    - Your earned income (up to $5,950) plus $300.

- **Yes.** You must file a return if any of the following apply:
  - Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
  - Your unearned income was over $2,300 ($3,550 if 65 or older and blind).
  - Your earned income was over $7,550 ($8,800 if 65 or older and blind).
  - Your gross income was more than the larger of:
    - $2,300 ($3,550 if 65 or older and blind), or
    - Your earned income (up to $5,950) plus $1,600 ($2,850 if 65 or older and blind).
Nonresident –

Every nonresident with gross income from Oklahoma sources of $1,000 or more is required to file an Oklahoma income tax return.

Part-Year Resident –

Every part-year resident, during the period of residency, has the same filing requirements as a resident. During the period of nonresidency, an Oklahoma return is also required if the Oklahoma part-year resident has gross income from Oklahoma sources of $1,000 or more.

Appendix B: Oklahoma Deductions

If itemized deductions were claimed on the Federal return, itemized deductions must be claimed on the Oklahoma Return. If itemized deductions were not claimed on the Federal return, the Oklahoma standard deduction must be claimed.

Standard Deduction

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Standard Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single or Married Filing Separate</td>
<td>$6,300</td>
</tr>
<tr>
<td>Head of Household</td>
<td>$9,250</td>
</tr>
<tr>
<td>Married Filing Joint or Qualifying Widow(er)</td>
<td>$12,600</td>
</tr>
</tbody>
</table>

Itemized Deduction

The amount of the Federal itemized deductions claimed on the Federal return (Form 1040, Schedule A), is the amount used as Oklahoma itemized deductions.

APPENDIX C: OKLAHOMA TAX RATE SCHEDULES

OTC Form 511, Line 14 and Form 511NR, Line 15

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Oklahoma Income Tax</th>
<th>Taxable Income</th>
<th>Oklahoma Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 2,000</td>
<td>Pay 0.00 + 0.5% over 0</td>
<td>0 - 1,000</td>
<td>Pay 0.00 + 0.5% over 0</td>
</tr>
<tr>
<td>2,000 - 5,000</td>
<td>Pay 10.00 + 1.0% over 2,000</td>
<td>1,000 - 2,500</td>
<td>Pay 5.00 + 1.0% over 1,000</td>
</tr>
<tr>
<td>5,000 - 7,500</td>
<td>Pay 40.00 + 2.0% over 5,000</td>
<td>2,500 - 3,750</td>
<td>Pay 20.00 + 2.0% over 2,500</td>
</tr>
<tr>
<td>7,500 - 9,800</td>
<td>Pay 90.00 + 3.0% over 7,500</td>
<td>3,750 - 4,900</td>
<td>Pay 45.00 + 3.0% over 3,750</td>
</tr>
<tr>
<td>9,800 - 12,200</td>
<td>Pay 159.00 + 4.0% over 9,800</td>
<td>4,900 - 7,200</td>
<td>Pay 79.50 + 4.0% over 4,900</td>
</tr>
<tr>
<td>12,200 - 15,000</td>
<td>Pay 255.00 + 5.0% over 12,200</td>
<td>7,200 - 8,700</td>
<td>Pay 171.50 + 5.0% over 7,200</td>
</tr>
<tr>
<td>15,000 - over</td>
<td>Pay 395.00 + 5.25% over 15,000</td>
<td>8,700 - over</td>
<td>Pay 246.50 + 5.25% over 8,700</td>
</tr>
</tbody>
</table>
Appendix D: Oklahoma Use Tax

Use tax is calculated at the same rate as sales tax. The sales tax rate equals the state rate of 4.5% plus the applicable city and/or county rate(s). If the exact amount of Oklahoma use tax owed is unknown, based on the taxpayer’s city and county sales tax rates, Use tax can be computed by using either:

1. Completing Use Tax Worksheet One – if taxpayer kept record of all out-of-state purchases. - Or-
2. Completing Use Tax Worksheet Two – if taxpayer did not keep record of all out-of-state purchases.

### Use Tax Worksheet One

For Taxpayers Who Have Records of All Out-of-State Purchases

1. Enter the total amount of out-of-state purchases for 1/1/2015 through 12/31/2015
2. Multiply line 1 by 7% (0.07) or your local rate and enter the amount
3. Enter the tax paid to another state on the purchases. This amount may not exceed the amount on line 2
4. Subtract line 3 from line 2 and enter the result, rounded to the nearest whole dollar here and on Form 511, line 20 (or on Form 511NR, Line 24)

### Use Tax Worksheet Two

For Taxpayers Who Do Not Have Records of All Out-of-State Purchases

1. Purchases of items costing less than $1,000: See the Use Tax Table on page
2. Purchases of items costing $1,000 or more: Complete lines 2a and 2b below to calculate the amount of use tax owed.
   2a. Enter the total amount of out-of-state purchases of $1,000 or more for 1/1/2015 through 12/31/2015
   2b. Multiply line 2a by 7% (0.07) or your local rate and enter the amount
   3. Add lines 1 and 2b and enter the total amount of use tax
4. Enter the tax paid to another state on the purchases. This amount may not exceed the amount on line 3
5. Subtract line 4 from line 3 and enter the result, rounded to the nearest whole dollar here and on Form 511, line 20 (or on Form 511NR, Line 24)

### Use Tax Table

<table>
<thead>
<tr>
<th>Federal Adjusted Gross Income (Form 511, line 1)</th>
<th>Your Use Tax Amount is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least</td>
<td>But less than</td>
</tr>
<tr>
<td>0</td>
<td>2,090</td>
</tr>
<tr>
<td>2,090</td>
<td>4,670</td>
</tr>
<tr>
<td>4,070</td>
<td>6,420</td>
</tr>
<tr>
<td>6,420</td>
<td>9,920</td>
</tr>
<tr>
<td>8,170</td>
<td>11,795</td>
</tr>
<tr>
<td>9,920</td>
<td>13,045</td>
</tr>
<tr>
<td>11,795</td>
<td>15,295</td>
</tr>
<tr>
<td>13,545</td>
<td>17,170</td>
</tr>
<tr>
<td>15,295</td>
<td>18,920</td>
</tr>
<tr>
<td>17,170</td>
<td>20,070</td>
</tr>
<tr>
<td>18,920</td>
<td>22,420</td>
</tr>
<tr>
<td>20,070</td>
<td>24,295</td>
</tr>
<tr>
<td>22,420</td>
<td>26,045</td>
</tr>
<tr>
<td>24,295</td>
<td>27,795</td>
</tr>
<tr>
<td>26,045</td>
<td>29,670</td>
</tr>
<tr>
<td>27,795</td>
<td>31,420</td>
</tr>
<tr>
<td>29,670</td>
<td>33,170</td>
</tr>
<tr>
<td>31,420</td>
<td></td>
</tr>
</tbody>
</table>

* Use tax is calculated the same as sales tax. Your local rate would be the state sales tax rate of 4.5% (0.045) plus the applicable city and/or county rate based on where you lived when the purchase was made. The rate charts can be found on the web at: www.tax.ok.gov.