

OKLAHOMA TAX COMMISSION

**Modernized e-File Handbook
for Tax Practitioners, EROs, Transmitters,
and Software Developers
Corporate Income Tax (Form 512)
Small Business Corporate Income Tax (Form 512-S)
Partnership Income Tax (Form 514)
and Fiduciary Income Tax (Forms 513 & 513NR)**

Tax Year 2017



Revised 10-2017
(Revised Date on Page 2)

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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). Partnership returns (Form 514) were accepted beginning Tax Year 2014. Fiduciary returns (Form 513 & 513NR) were accepted beginning Tax Year 2015.

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

Corporate Income Tax Returns (Forms 512, 512S, 513, 513NR & 514)

Begin Software Testing	11-02-2017
Begin Transmitting Returns	Same date as IRS

Note: Oklahoma conforms to the dates established by the IRS and are subject to any changes the IRS may make.

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 5078 – *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 513 Packet – *Fiduciary Resident Income Tax Forms and Instructions*

Oklahoma 513NR Packet – *Fiduciary Nonresident Income Tax Forms and Instructions*

Oklahoma 514 Packet – *Partnership Income Tax Forms and Instructions*

Oklahoma Business Rules

Oklahoma MeF Schemas (For Software Developers)

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

Changes to 2017 Income Tax

Changes to the forms, which may be transmitted electronically, are listed under the applicable Form.

Forms 512 & 512-S

Recapture of the Oklahoma Affordable Housing Tax Credit - If under IRC Section 42, a portion of any federal low-income housing credits taken on a qualified project is required to be recaptured during the first 10 years after a project is placed in service, the taxpayer claiming Oklahoma Affordable Housing Tax Credits with respect to such project shall also be required to recapture a portion of such credits. The recaptured credit is added to Oklahoma income tax. On a paper return, a "1" is entered in the box on line 2 of Form 512 or 512-S. For an e-filed return there is an <OklahomaAffordableHousing> check-box element.

The instructions for the Indian Employment Exclusion were deleted. The federal Indian Employment Credit, upon which it is based, has expired. If the federal credit is extended, the paragraph will be put back into the instructions or there will be an FAQ on the Oklahoma Tax Commission's website explaining how to claim this exclusion.

Franchise Tax Reinstatement Fee - The reinstatement fee for a suspended corporation increased from \$15.00 to \$150.00 effective July 1, 2017. To expedite the reinstatement of a corporation, the fee can be paid online through their OkTAP franchise account or by using our online payment service.

Corporations that remitted the maximum amount of franchise tax for the preceding tax year do not qualify to file a combined income and franchise tax return. For these corporations their franchise tax is due and payable on May 1st of each year, and delinquent if not paid on or before June 1st.

A line allowing a donation to be made on a tax due return to the Support the Oklahoma General Revenue Fund has been added.

Donations from Refund

The following "check-off" program/fund for organizations to which a taxpayer could make a donation from their refund have been added:

- Indigent Veteran Burial Program
- Support the Oklahoma General Revenue Fund
- Oklahoma Emergency Responders Assistance Program
- Support of Folds of Honor Scholarship Program

Form 513 & 513NR

Recapture of the Oklahoma Affordable Housing Tax Credit - If under IRC Section 42, a portion of any federal low-income housing credits taken on a qualified project is required to be recaptured during the first 10 years after a project is placed in service, the taxpayer claiming Oklahoma Affordable Housing Tax Credits with respect to such project shall also be required to recapture a portion of such credits. The recaptured credit is added to Oklahoma income tax. On a paper return, a “2” is entered in the box on Form 513, line 24 or Form 513NR, line 28. For an e-filed return there is an <OklahomaAffordableHousing> check-box element.

Note: Electing Small Business Trusts, Charitable Trusts or Other will now enter a “1” instead of an “X” in the box on Form 513, line 24 or Form 513NR, line 28.

Form 514

Recapture of the Oklahoma Affordable Housing Tax Credit - If under IRC Section 42, a portion of any federal low-income housing credits taken on a qualified project is required to be recaptured during the first 10 years after a project is placed in service, the taxpayer claiming Oklahoma Affordable Housing Tax Credits with respect to such project shall also be required to recapture a portion of such credits. The recaptured credit is added to Oklahoma income tax. On a paper return, a “1” is entered in the box on Form 514, line 2. For an e-filed return there is an <OklahomaAffordableHousing> check-box element.

The instructions for the Indian Employment Exclusion were deleted. The federal Indian Employment Credit, upon which it is based, has expired. If the federal credit is extended, the paragraph will be put back into the instructions or there will be an FAQ on the Oklahoma Tax Commission’s website explaining how to claim this exclusion.

Form 506 “Investment/New Jobs Credit”

Effective for tax years beginning on or after January 1, 2016 and ending on or before December 31, 2018, no more than \$25 million of credit may be allowed as an offset in a taxable year. The percent the credit will be limited to has yet to be determined.

A web search portal establishment can establish a credit based on New Jobs.

The credit may not be claimed for investment or job creation in electric power generation by means of wind as described by the North American Industry Classification System, No. 221119.

Form 511CR “Other Credits Form”

The following income tax credits have been amended:

- Oklahoma Investment/New Jobs Credit –
 - Effective for tax years beginning on or after January 1, 2016 and ending on or before December 31, 2018, no more than \$25 million of credit may be allowed as an offset in a taxable year. The percent the credit will be limited to has yet to be determined.
 - A web search portal establishment can qualify for the credit based on New Jobs.
 - The credit may not be claimed for investment or job creation in electric power generation by means of wind as described by the North American Industry Classification System, No. 221119.
- Volunteer Firefighter Credit – The State Fire Marshall replaces the Oklahoma Council on Firefighter Training as the entity that approves volunteer firefighter training required in order to be eligible for the income tax credit. The Firefighter Training Advisory Committee’s (FTAC) form must be provided as supporting documentation.
- Credit for Electricity Generated by Zero-Emission Facilities - With respect to electricity generated by wind, facilities must be placed in operation not later than July 1, 2017, to qualify for the income tax credit.
- Oklahoma Affordable Housing Tax Credit – Any unused credit from the prior year may be carried over and entered in Column A.

The following credits have expired:

- Credit for Financial Institutions Making Loans Under the Rural Economic Development Loan Act
- Credit for the Construction of Energy Efficient Homes
- Wire Transfer Fee Credit

These credits have carryover provisions. The unused carryover may still be claimed.

The following credits have been eliminated and are no longer on the form:

- Small Business Capital Credit
- Rural Small Business Capital Credit
- Credit for Qualified Ethanol Facilities
- Credit for Qualified Biodiesel Facilities
- Credit for Modification Expenses paid for an Injured Employee

Form 578 “Refundable Credit for Electricity Generated by Zero-Emission Facilities”

With respect to electricity generated by wind, the facility must be placed in operation no later than July 1, 2017 to qualify for the credit.

Form OW-8-P “Underpayment of Estimated Tax Worksheet”

The **period** of underpayment runs from the due date of the required installment to the earlier of the due date of the return or the date on which the required installment is paid.

Miscellaneous

The Form EF-V “Business Filers Income Tax Payment Voucher” - Corporations electing to file a combined corporate income and franchise tax return should use this form when the “Total Balance Due” is income tax, franchise tax or both.

Please see the 2017 Legislative Update located on our website for a complete list of legislative 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

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 Service Center – (405) 521-3160

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-106 “2017 Tax Software Provider Registration Form”. You may download test returns from the State Exchange System. We will open for testing the same day as the IRS. When test returns are submitted, please e-mail the submission IDs to jkorthanke@tax.ok.gov. We do not automatically pull submissions in our test environment.

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
- Form 513 – Oklahoma Fiduciary Resident Income Tax Return
- Form 513-NR – Oklahoma Fiduciary Nonresident Tax Return
- Form 514 – Oklahoma Partnership Income Tax Return

Supplemental Forms

- Form 512-FT - Computation of Oklahoma Consolidated Annual Franchise Tax
- Form 512-TI – Computation of Oklahoma Consolidated Taxable Income
- Form 514 PT – Oklahoma Partnership Composite Income Tax Supplement
- Form 511CR – Other Credits Form
- Form 561C – Oklahoma Capital Gain Deduction for Corporations Filing Form 512
- Form 561F – Oklahoma Capital Gain Deduction for Trusts and Estates Filing Form 513
- Form 561P – Oklahoma Capital Gain Deduction for the Nonresident Partner included in the Composite Return (Form 514, Part 1)
- Form 561S – Oklahoma Capital Gain Deduction for Nonresident Shareholder Whose Income is reported on Form 512-S, Part 1
- Form 561NR-F – Oklahoma Capital Gain Deduction for Trusts and Estates Filing Form 513NR

- Forms 506 – Investment/New Jobs Credit (Tax Years 2013, 2014, 2015, 2016 & 2017)
- Form OW-8-P – Underpayment of Estimated Tax Worksheet
- Form 567-A – Credit for Investment in Clean-Burning Motor Vehicle Fuel Property
- Form 577 – Refundable Coal Credit
- Form 578 - Refundable Credit for Electricity Generated by Zero-Emission Facilities
- Form 500-A – Information Return – Production Payments (Use this form if it shows Oklahoma withholding.)
- Form 500-B – Information Return – Report of Nonresident Member Income Tax Withheld (Use this form if it shows Oklahoma withholding.)
- State Form 1099Misc – Miscellaneous Income - (Use this form if not part of the federal return and it shows Oklahoma withholding.)

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

Amended Returns

Amended returns may be electronically filed. The Amended Return check-box must be marked or the return will be rejected as a duplicate filing.

Submission/Return Type

Accepted Values for the State Submission Type in the Manifest and the Return Type in the Return Header are:

- OK512Sep – For a separate corporate return (In the schema this is OK512Single)
- OK512Con – For a consolidated corporate return (In the schema this is OK512)
- OK512-S – For an S corporation return (In the schema this is OK512S)
- OK513 - For a Resident Fiduciary return (In the schema this is OK513)
- OK513NR – For a Nonresident Fiduciary return (In the schema this is OK513NR)
- OK514 – For a partnership return (In the schema this is OK514)

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 have an original signature)
- 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.

Copy of Federal Return Required

The complete Federal return and the necessary supporting schedules as submitted to the IRS are required to be submitted 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. The Federal return must be in XML, providing only a PDF attachment will cause the submission to be rejected.

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:

- More than one original return for same tax year for the same FEI, regardless of the fiscal year dates.
- Returns with cent entries
- Returns for a tax year prior to 2015. You must pass testing in order to e-file prior year returns.

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

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.

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

A return is not considered filed until an acknowledgement of acceptance has been received.

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.

Other Guidelines

- ExplanationStatement element –

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

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.

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 Debit.

Taxpayers can choose to have their payment directly withdrawn from their checking or savings account via the OTC website. Visit the "Online Services" section at www.tax.ok.gov.

- Credit Card Payment

Credit card payments may be made through the OTC website. Visit the "Online Services" section at www.tax.ok.gov. Please be aware a convenience fee will be added to the transaction.

- 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. 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 7 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.