

# OKLAHOMA TAX COMMISSION

## Electronic Filer Handbook Individual Income Tax

Tax Year 2012



Pending Legislative Changes  
January 10, 2013

# Table of Contents

## Contents

Table of Contents .....	1
Introduction.....	2
Publications.....	4
Internal Revenue Service Publications .....	4
Oklahoma Tax Commission Publications.....	4
Changes to 2012 Income Tax .....	5
Federal/State Electronic Filing .....	7
General Information.....	7
How Federal/State Electronic Filing Works .....	7
How State-only Electronic Filing Option works .....	7
Acknowledgement .....	8
Who May Participate .....	8
Mandate.....	8
Filing an Electronic Return.....	9
Composition of an Electronic Return .....	9
Electronic Portion of Returns.....	9
Non-Electronic Portion of Returns .....	10
Exclusions from Electronic Filing .....	10
Rejected Returns .....	12
Form 511-EF Oklahoma Individual Income Tax Declaration for Electronic Filing .....	13
Refunds .....	14
Payment of Balance Due Amounts .....	15
Information Electronic Filers Must Provide to the Taxpayer .....	16
Responsibilities of Electronic Filers .....	17
Appendix A: Oklahoma Business Rules.....	18

## **Introduction**

The Oklahoma Tax Commission (OTC) joined with the Internal Revenue Service (IRS) to provide for electronic filing of state individual income tax returns.

The Federal/State Electronic Filing Program (JELF) enables taxpayers to file both returns electronically through their tax preparer. Beginning with Tax Year 2007, Oklahoma began participating in the State-Only portion of the Electronic Filing Program which enables taxpayers to electronically file their Oklahoma return separately from the filing of the Federal return. Oklahoma relies on the IRS to receive the State's electronic data. The IRS checks the data for proper format and makes it available to OTC for retrieval.

Beginning with tax year 2009, OTC, in conjunction with the IRS, began accepting returns filed by method of the Modernized e-File system (MeF). This transmission method is a Web Service using Simple Object Access Protocol (SOAP) with attachments messaging capability. State returns can be submitted as linked to the IRS submission (also referred to as a Fed/State return) or as an unlinked return (also referred to as a State Standalone return). Beginning with Tax Year 2010 Oklahoma expanded e-File under MeF to include part-year and nonresident returns (511NR).

Electronically transmitted individual income tax returns will be accepted from all participants that are accepted into the Federal electronic filing program and are using accepted Federal/State Electronic Filing software, subject to suitability checks.

IRS Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns, as well as all rules, regulations and requirements governing tax preparers, transmitters, and originators of returns put forth by the IRS are used by OTC.

The Oklahoma Handbook is to be used in conjunction with the IRS Publication 1345. Since most functions in the Federal/State Electronic Filing Program are the same, the Oklahoma Handbook highlights the special features unique to Oklahoma.

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Your comments on this handbook are appreciated.

**Suggestions may be directed to: Oklahoma Tax Commission  
Communications Division  
PO Box 26890  
Oklahoma City OK 73126-0890**

## **Oklahoma Electronic Filing Calendar**

**For Tax Period January 1, 2012 to December 31, 2012**

Begin Federal/State Software Testing

ATS (MeF)

PATS (JELF)

November 5, 2012

November 13, 2012

Begin Transmitting Return to IRS/OTC

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**

The following publications describe the process of electronic filing :

### **Internal Revenue Service Publications**

Publication 1345, Handbook for Authorized IRS e-file Providers

Publication 1346, Electronic Return File Specifications and Record Layouts for Individuals Income Tax Returns

Publication 1436, Test Package for Electronic Filers of Individual Income Tax Returns

Publication 3112, IRS e-file Application and Participation

Publication 4164, Modernized e-File (MeF) Guide for Software Developers and Transmitters

### **Oklahoma Tax Commission Publications**

Oklahoma Individual Income Tax Electronic Filers Handbook

Oklahoma Tax Commission JELF Electronic Return Filing Guide (For Software Developers)

2012 MeF Schemas (For Software Developers)

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

Oklahoma Tax Commission MeF Electronic Return Filing Guide (For Software Developers)

Chapter 1  
**Changes to 2012 Income Tax**

**Check-offs:** There are six new check-offs & two were amended:

Support of Domestic Violence and Sexual Assault Services - Taxpayers may donate from their tax refund for the benefit of domestic violence and sexual assault services in Oklahoma that have been certified by the Attorney General. The donation will be used to provide grants to domestic violence and sexual assault service providers for the purpose of providing domestic violence and sexual assault services in Oklahoma. The term “services” includes but is not limited to programs, shelters or a combination thereof. 68 OS § 2368.22

Support of Volunteer Fire Departments - Taxpayers may donate from their tax refund for the benefit of volunteer fire departments in Oklahoma. The donation will be used to provide grants to volunteer fire departments in this state for the purpose of purchasing bunker gear, wildland gear and other protective clothing. 68 OS § 2368.23

Oklahoma Lupus Revolving Fund – Taxpayers may donate from their refund for the benefit of the Oklahoma Lupus Revolving Fund. Monies from the fund will be used by the State Department of Health to provide grants to the Oklahoma Medical Research Foundation for the purpose of funding research into treating and curing lupus in this state. 68 OS § 2368.24

Oklahoma Sports Eye Safety Program - Taxpayers may donate from their refund for the benefit of the Oklahoma Sports Eye Safety Program. The donation will be used by the State Department of Health to establish a sports eye safety grant program for the purchase and distribution of sports eye safety programs and materials to Oklahoma classrooms and sports eye safety protective wear to children age 18 and under. Monies will also be used to explore opportunities to utilize nonprofit organizations to provide such safety information or equipment. 68 OS § 2368.25

Historic Greenwood District Music Festival Fund - Taxpayers may donate from their refund to support 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 OS § 2368.26

Public School Classroom Support Fund - Taxpayers may donate for the benefit of the Public School Classroom Support Revolving Fund. Donations to the Public School Classroom Support Revolving Fund will be used by the State Board of Education to provide one or more grants annually to public school classroom teachers. Grants will be used by the classroom teacher for supplies, materials, or equipment for the class or classes taught by the teacher. Grant applications will be considered on a statewide

competitive basis. A donation may be made whether the taxpayer is receiving a refund or has tax due. 70 OS § 1-122

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 has been removed. 68 OS §§ 2368.17 and 2368.21

Please see the 2012 Legislative Update located on our website for a complete list of all changes.

**Reminders:**

Depletion - When computing Oklahoma depletion, the 50% net income limit applies to all taxpayers.

## Chapter 2

### **Federal/State Electronic Filing**

#### **General Information**

2011 Tax Year

Electronic filing continues to be very successful. During the 2012 filing season there were over 1.1 million taxpayers that filed e-file. Direct Deposit refunds were issued in approximately 3 to 5 days and paper refunds in 10 to 12 days. The OTC would like to thank all preparers and software developers for their participation.

#### **How Federal/State Electronic Filing Works**

For Modernized e-File Program (MeF), 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.

The IRS will acknowledge to the transmitter the acceptance of the Federal return and receipt of State data. The State data will then be made available for retrieval by OTC where it will be entered and processed in the State Income Tax system.

#### **How State-only Electronic Filing Option works**

The Federal return does not have to be electronically filed and accepted before electronically filing the Oklahoma State-Only return. However, the Federal return must be computed before computing the Oklahoma tax return and a copy of the Federal information must be included with the Oklahoma return. Tax preparers will have to indicate in their software that it is a State-Only/Unlinked filing. The IRS will receive the return and the data will be made available for retrieval by OTC. After the data is retrieved, it will be acknowledged and processed by Oklahoma.

## **Acknowledgement**

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 by the IRS, state agencies, transmitters and software developers. See Appendix A: for Business Rules.

Transmitters and software developers should allow 2 business days to receive the state acknowledgment before contacting the Tax Commission.

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

## **Who May Participate**

Federal/State Electronic Filing for Oklahoma returns is available to all interested parties who have been accepted in the Federal electronic filing program and transmit returns to the IRS Service Centers. State-Only/Unlinked Electronic Filing for Oklahoma returns is also available to such interested parties if it is supported by their software.

<p>Note: You do not need to register with the OTC. When the IRS approves you for electronic filing of tax returns, Oklahoma automatically accepts you.</p>
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## **Mandate**

All “specified tax return preparers” must file individual income tax returns electronically. The term specified tax return preparer has the same meaning as provided in Section 6011 of the Internal Revenue Code.

## Chapter 3

### **Filing an Electronic Return**

#### **Composition of an Electronic Return**

In total, an Oklahoma electronic return contains the same information as a comparable return filed entirely on paper documents. An electronic return consists of:

- \* Data transmitted electronically to the OTC using the IRS as a conduit; and
- \* Paper documents (sent directly to OTC) that contain information which cannot be electronically transmitted, such as taxpayer signatures, documents prepared by third parties, etc. This does not include forms or schedules which are not accepted by the electronic filing system.

Note: The Oklahoma Form 511 & 511NR require an accompanying copy of the taxpayer's Federal return.

#### **Electronic Portion of Returns**

The following forms and schedules can be transmitted electronically and are considered the electronic portion of the return.

- \* All Federal individual income tax forms and schedules accepted for IRS e-file
- \* Oklahoma Part-year and Nonresident Individual Income Tax Return & Schedules (OTC Form 511NR)
- \* Oklahoma Resident Individual Income Tax Return & Schedules (OTC Form 511)
- \* Oklahoma Business Activity Tax form (OTC Form 511-BAT)
- \* Oklahoma Income Tax Other Credits form (OTC Form 511CR)
- \* Oklahoma Credit for Tax Paid to Another State (OTC Form 511TX)
- \* Refund of Sales Tax (OTC Form 538-S) when attached to Form 511
- \* Refund or Credit for Property Tax (OTC Form 538-H) when attached to Form 511.
- \* Oklahoma Capital Gain Deduction for Residents Filing Form 511 (OTC Form 561)
- \* Oklahoma Capital Gain Deduction for Part-year and Nonresidents Filing Form 511NR (OTC Form 561NR)
- \* Certain Government Payments (State 1099G) - Use this form if it shows Oklahoma withholding.
- \* Miscellaneous Income (State 1099Misc) - Use this form if not part of the federal return and it shows Oklahoma withholding.
- \* Certain Gambling Winnings (State W2G) - Use this form if not part of the federal return and it shows Oklahoma withholding.
- \* Binary Attachments for any supporting documentation (PDFs)

## **Non-Electronic Portion of Returns**

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

- Oklahoma Individual Income Tax Declaration for Electronic Filing (Form 511-EF), required for all electronic returns, is to be retained by the ERO for 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 the form 511EF and retained by the 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, Income Tax, PO Box 269060, Oklahoma City, OK 73126-9060. These are not part of the electronic record and may be required by OTC.
  - ❖ Form OW-8-P-Sup-I - Annualized Income Installment Method for Individuals
  - ❖ 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 tax year 2012:

- \* Returns from preparers, originators or transmitters who have not been accepted into the Electronic Filing Program
- \* Amended returns or corrected returns
- \* Original Returns for any tax year other than calendar years 2010 through 2012

\* Returns with dollars and cents entries. Only whole dollars are accepted

## Chapter 4

### **Rejected Returns**

Paper returns, to replace electronic returns that were rejected and not resubmitted, are to be mailed to the OTC. The following information is required:

- \* A printout of the return
- \* The original, signed, Form 511EF
- \* State copies of all W-2s, W-2Gs and 1099-Rs
- \* A cover letter giving the date the return was rejected by the IRS eg: rejected 01/30/13

#### **Mail paper returns to:**

Oklahoma Tax Commission  
Carol Shrum – Taxpayer Assistance Division  
PO Box 269057  
Oklahoma City OK 73126-9057

When the paper replacement return is received by the OTC, at the specified address, it will be given priority processing status. Contact Carol Shrum at 405-522-3827 for additional information, or inquiries.

Note: If non-qualifying returns are filed electronically, the replacement returns will not be given priority by the OTC
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The OTC will monitor receipt of replacement returns.

**Failure to submit paper returns in a timely manner may adversely affect your authorization to file Oklahoma electronic returns.**

#### **Changes to Electronic Returns:**

After electronic returns are transmitted, they cannot be recalled or intercepted in process. If the electronic filer or taxpayer wishes to change any entry after a return has been accepted please note the following

- \* An Amended Oklahoma Individual Income Tax Return (511X or 511NRX) must be filed through the normal paper filing process
- \* No action should be taken to change the computation between the date transmitted and the date the OTC acknowledges the return
- \* If an Oklahoma return is transmitted in error, please contact Richard Pachankis, immediately at (405) 522-5723

## Chapter 5

# **Form 511-EF Oklahoma Individual Income Tax Declaration for Electronic Filing**

Form 511-EF is the signature portion of the return. It must be completed and signed\* by all appropriate parties before the return is transmitted electronically. The ERO is to keep the 511-EF as documentation.

### **Form 511-EF**

- Authenticates the return
- Authorizes the ERO to file the return electronically on behalf of the taxpayer.

Form 511-EF does not serve as a power of attorney or as a substitute for the information required to be provided on the electronic tax return.

Use only the official Form 511-EF or an approved substitute which duplicates the official form in format, language, content and size. Photocopies are acceptable as long as they are legible.

### **The following is a sequence of events in the handling of Form 511-EF:**

- 1) An ERO prepares the return and computes the taxes based on the information the taxpayer provides, or accepts an already prepared return for the purpose of electronic transmission.
- 2) After the return has been prepared and/or before it is transmitted, the taxpayer must verify the information on the return and sign the 511-EF prior to the electronic transmission of the tax return. Both signatures\* are required on a joint return.
- 3) A copy of the prepared return must be provided to the taxpayer.
- 4) Form 511-EF should be retained by the ERO for 3 years. All EROs will be subject to periodic reviews by the OTC to assure the paperwork is being retained. If supporting schedules are required by the OTC please ensure taxpayer is given a copy of the 511-EF to mail to the OTC along with the supporting documents as mentioned in Chapter 3 Non-Electronic Portion of Returns.

Form 511-EF is part of the electronic return for the purposes of taxpayer verification and signature. A blank 511-EF is the same as a blank tax return.

- Practitioners are prohibited from allowing taxpayers to sign a blank tax return.
- It is permissible to have the taxpayer review the completed tax return on the display terminal.

\* 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.

## Chapter 6

### **Refunds**

**Taxpayers have four options when their return shows an overpayment of their tax. They may elect to have their overpayment:**

- \* Refunded directly into their financial institution account by electronic transfer (Direct Deposit)
- \* Refunded to them in the form of a debit card
- \* Applied to next year's estimated tax
- \* Donated to a variety of Oklahoma Organizations. See Schedule 511-G or 511NR-F for a list of the organizations

Direct Deposit offers taxpayers a quicker more convenient way to receive their refunds, reduces the risk of loss, and allows immediate use of the funds upon deposit.

**Direct Deposit of a refund is not guaranteed. A direct deposit may be denied due to:**

- \* Incorrect banking data
- \* Oklahoma income tax due from a previous year
- \* Fines or debts owed to state agencies or IRS (ie: child support student loans, etc)
- \* The estimated tax payments claimed on the return do not match the estimated tax payments recorded by the OTC
- \* Adjustment is made to disallow a credit when the taxpayer was not eligible for it.
- \* 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 their tax return. The taxpayer will be issued a paper check. If the taxpayer's address contains APO, FPO, or DPO that is not considered a foreign address, direct deposit will be allowed.

Although we do not anticipate problems with the Federal/State Electronic Filing program, a refund may be delayed. If a taxpayer owes Oklahoma taxes, fines or a debt to a state agency, the OTC is required by law to apply (off-set) the income tax refund to these balances.

Taxpayers should first confirm acknowledgment of their Oklahoma return with their practitioner or transmitter. Tax preparers should wait at least 14 days from the date of acknowledgment for a debit card or 10 days for a direct deposit before contacting the OTC about their refund.

Inquiries may be directed to the Taxpayer Assistance Division at (405) 521-3160 or 1-800-522-8165.

## Chapter 7

### **Payment of Balance Due Amounts**

The taxpayer is responsible for paying the amount due to the OTC when a return is filed or no later than April 22, 2013 if paid electronically.\* If the payment is not remitted electronically the amount due must be paid by April 15, 2013.

Payment may be made by check, money order, credit card, or direct debit.

- Checks or money orders should be attached to the **511-V** and mailed to the OTC no later than April 15, 2013. Mail to:

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

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

If the taxpayer is not paying at the time of transmission, give them the completed 511-V to be mailed by April 15, 2013. If the taxpayer is making a partial payment, the form 511-V should be attached to the payment and mailed to the OTC no later than April 15, 2013. A billing coupon will be sent to the taxpayer for the balance due at which time the taxpayer will have the option of paying the remaining balance in full, or making monthly payments until the balance is paid off.

- Taxpayers who have a tax amount due may choose to have their payment directly withdrawn from their checking or savings account. Taxpayers must supply the bank routing and account numbers, the amount to be withdrawn and the date the funds are to be withdrawn. No form 511-V is required. The payment must be made no later than April 22, 2013.
- Credit card payments may be made through the OTC website. Visit the “Online Services” section at [www.tax.ok.gov](http://www.tax.ok.gov). Credit card payments may also be made by calling 1-866-289-0455. Please be aware a convenience fee will be added to the transaction. The payment must be made no later than April 22, 2013.
- The taxpayer 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](http://www.tax.ok.gov). The payment must be made no later than April 22, 2013.

\*Warning! Due to the electronic banking rules, the Oklahoma Tax Commission will not allow direct debits from or through foreign financial institutions. If the taxpayer uses a foreign financial institution they will be required to pay by check, money order or credit card.

## Chapter 8

### **Information Electronic Filers Must Provide to the Taxpayer**

The ERO must furnish the taxpayer 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. These should be provided to the taxpayers at the time they sign Form 511-EF.

- \* The completed Oklahoma Individual Income Tax Declaration for Electronic Filing ( 511-EF)
- \* Other documents containing required signatures
- \* Any other documents which are not Oklahoma forms or schedules.

#### **The ERO should advise the taxpayer to retain copies of :**

- \* Forms W-2, W-2G's, 1099-R
- \* Any other documents, not required by OTC which the taxpayer voluntarily included with the Form 511-EF as supporting material
- \* The signed Form 511-EF

The ERO will also retain the 511-EF and copies of the W-2s etc for 3 years.

If an electronically filed return was acknowledged as accepted by the OTC, the ERO should advise the taxpayer to wait 1 week from the acknowledgment date before making an inquiry about his/her refund.

If an individual should find it necessary to contact the OTC regarding his/her income tax refund, they may do so by calling the Taxpayer Assistance Division at (405) 521-3160 or 1-800-522-8165.

- \* The taxpayer will be required to furnish his/her (and spouse's if applicable) social security number(s)
- \* The taxpayer should be prepared to provide bank information if direct deposit was requested.

## Chapter 9

### **Responsibilities of Electronic Filers**

The guidelines in IRS Publications 1345 and 3112 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 1345 and 3112 and Revenue Procedure 93-8, Sec 12.01 through 03 and 05 through 09 must be followed 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. 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.

## Appendix A: Oklahoma Business Rules

Rule #	Rule Text	Error Category	Severity
X0000-001	The XML data has failed validation.	XML Error	Reject & Stop
R0000-001	An electronic return has already been filed for the primary SSN for this tax year	Duplicate Condition	Reject & Stop

**For questions or inquiries please contact:**

Joan Korthanke (405) 521-3637

Email: [jkorthanke@tax.ok.gov](mailto:jkorthanke@tax.ok.gov)

Or

Richard Pachankis (405) 522-5723

Email: [rpachankis@tax.ok.gov](mailto:rpachankis@tax.ok.gov)

In State Toll Free 1-800-522-8165 ext 13637

Fax: (405) 522-1711

Email: [efile@tax.ok.gov](mailto:efile@tax.ok.gov)