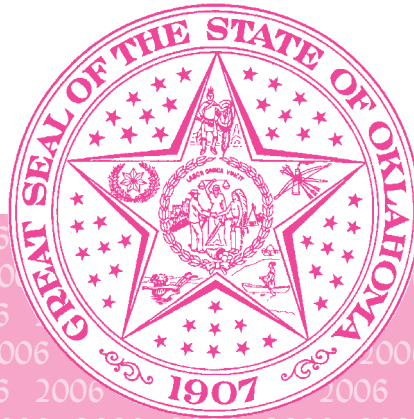


• INCLUDES FORM 512-S  
AND FORM 512-SA



# 2006 OKLAHOMA SMALL BUSINESS CORPORATION INCOME TAX FORMS AND INSTRUCTIONS

## **This packet contains:**

- Instructions for completing the Form 512-S
- Two 512-S small business corporation income tax forms
- Two 512-SA nonresident shareholder agreement income tax forms
- One return envelope

## **Filing date:**

- Your Oklahoma return is due the same date as your Federal return.

## **For assistance or forms:**

- See page 15 for methods of contacting the Tax Commission.

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



• Download Forms 24/7

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## WHAT'S NEW IN THE 2006 OKLAHOMA TAX BOOKLET?

- You may be able to deduct the Oklahoma capital gain attributable to your nonresident shareholders. See the instructions on page 9.
- There are seven new credits available to taxpayers on Form 511CR: Credit for Breeders of Specially Trained Canines, Credit for Wages Paid to an Injured Employee, Credit for Modification Expenses Paid for an Injured Employee, Dry Fire Hydrant Credit, Credit for the Construction of Energy Efficient Homes, Credit for Railroad Modernization, and Research and Development New Jobs Credit. See page 10 for information on how to obtain the Form 511CR.
- There are two new refundable credits available: Aerospace Industry Credit (Form 581) and Computer Industry Credit (Form 580). See page 4 for more information.
- There are two new deductions for owners of Oklahoma refineries. See the instructions on pages 5 and 6.

- An employer who uses the Safety Pays OSHA Consulting Services may be entitled to an exemption. See the instructions on page 5.

### GENERAL FILING INFORMATION

#### WHO MUST FILE

All corporations having an election in effect under Subchapter S of the Internal Revenue Code engaged in business or deriving income from property located in Oklahoma and that are required to file a Federal income tax return using Form 1120-S, must file a return on Form 512-S. Do not use Form 512.

**A complete copy of the Federal return must be enclosed with the Oklahoma income tax return. For S-corporations not required to complete the Federal Schedules L and M-1, copies of the balance sheets from their financial statement must be enclosed. Failure to enclose the required documentation may cause a delay in the processing of the S-corporation's income tax return as well as the income tax returns of its shareholders.**

### COMMON ERRORS

Below are the most common errors on last year's returns. To aid in processing your return, please double check your return carefully.

- Check your FEIN on all forms and schedules.
- Fiscal year dates are a common problem. If you file based on a fiscal year, please list dates on top of form where indicated.
- Enclose a complete copy of your Federal return.
- Enclose all required schedules.

#### TIME AND PLACE FOR FILING

The return must be filed on or before the 15th day of the third month following the close of the taxable year, with the Oklahoma Tax Commission, PO Box 26800, Oklahoma City, Oklahoma 73126-0800. A valid extension of time in which to file your Federal return automatically extends the due date of your Oklahoma return if no Oklahoma liability is owed. A copy of the Federal extension must be enclosed with your Oklahoma return. If your federal return is not extended, or an Oklahoma liability is owed, an extension of time to file your Oklahoma return may be granted on Form 504.

In the case of complete liquidation or the dissolution of a corporation, the return shall be made on or before the 15th day of the fourth month following the month in which the corporation is completely liquidated (or Federal due date).

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#### FISCAL YEAR AND SHORT PERIOD RETURNS

For all fiscal year and short period returns, the beginning and ending dates of the tax year must be shown on the top portion of the return where indicated. Omission of this information may cause a significant delay in the processing of the return and no interest will accrue on any refund pending.

### WITHHOLDING ON NONRESIDENT MEMBERS

Pass-through entities (partnerships, S corporations, limited liability companies or trusts) are required to withhold Oklahoma income tax at a rate of 5% of the Oklahoma share of taxable income distributed to each nonresident member (partner, member, shareholder or beneficiary). A pass-through entity is **not** required to withhold income tax with regard to any nonresident member who submits a Nonresident Member Withholding Exemption Affidavit (Form OW-15). Title 68 O.S. Sections 2385.29, 2385.30 and 2385.31

Withholding is not required on distributions made to persons, other than individuals, who are exempt from Federal income tax, organizations granted an exemption under Section 501(c)(3) of the Internal Revenue Code, insurance companies subject to the Oklahoma Gross Premium Tax and therefore exempt from Oklahoma income tax under Title 68 O.S. Section 2359(c), and nonresident members who have filed the Form OW-15 "Nonresident Member Withholding Exemption Affidavit".

Withholding is not required on any distribution of royalty income on which the nonresident royalty interest income tax has already been withheld, on any distribution made to another pass-through entity or on any distribution of income not subject to Oklahoma income tax.

The following pass-through entities are not required to withhold:

- An entity electing to be treated as a disregarded entity for Federal income tax purposes. A disregarded entity is an eligible entity that is treated as an entity that is not separate from its single owner.
- An entity that does not have a requirement, or properly elects out of the requirement, to file a Federal income tax return.
- An entity making distributions of income not subject to Oklahoma income tax.

#### • Distributions made from the S Corporation

S corporations, that make distributions subject to Oklahoma withholding, must register with the Oklahoma Tax Commission. Register by completing the registration form "Registration for Oklahoma Withholding for Nonresident Members" (Form OW-11). This form may be obtained by calling our forms request line at (405) 521-3108 or from our website at: [www.tax.ok.gov](http://www.tax.ok.gov).

To file and pay the income tax withheld, the S corporation must complete Form OW-9-C "Nonresident Oklahoma Distributed Income Withholding Tax Report". The S corporation will file Form OW-9-C on or before the due date (including extensions) of the S corporation's income tax return.

The S corporation must provide nonresident shareholders a Form 500-B, by the due date (including extensions) of its income tax return, showing their respective amount of income and tax withheld. Each nonresident shareholder must enclose a copy of the Form 500-B with their Oklahoma income tax return as verification for this withholding. Copies of Form 500-B's, along with the cover Form 501, must be sent to the Oklahoma Tax Commission by the same date.

For S corporations paying the tax on behalf of nonresident shareholders, the nonresident shareholder's withholding may be claimed on Form 512-S, part 1, line 11. A copy of the nonresident shareholder's Form 500-B must be enclosed with the Form 512-S.

### AGRICULTURAL COMMODITY PROCESSING FACILITY EXCLUSION

Owners of agricultural commodity processing facilities may exclude fifteen percent (15%) of their investment in a new or expanded agricultural commodity processing facility located within Oklahoma. "Agricultural commodity processing facility" means buildings, structures, fixtures and improvements used or operated primarily for the processing or production of agricultural commodities to marketable products. The investment is deemed made when the property is placed in service. Under no circumstances shall this exclusion lower the shareholder's taxable income below zero. In the event the exclusion does exceed income, any unused portion may be carried over for a period not to exceed six (6) years.

Attach a separate schedule showing the type of investment(s), the date placed in service, the cost, the total exclusion and the exclusion available for each shareholder. Do not include this exclusion in the Oklahoma net distributable income; each shareholder shall report their allowable share of the exclusion on the designated line of their individual return. For a nonresident who does not file a nonresident agreement, include the shareholder's allowable share in Part 5, column 8.

### OKLAHOMA DEPLETION IN LIEU OF FEDERAL DEPLETION

Oklahoma depletion on oil and gas well production, at the option of the taxpayer, may be computed at 22% of gross income derived from each Oklahoma property during the taxable year. Major oil companies, as defined in Title 52 O.S. Section 288.2, when computing Oklahoma depletion shall be limited to 50% of the net income (computed without the allowance for depletion) from each property. Any depletion deduction allowable is the amount so computed minus Federal depletion claimed. If Oklahoma options are exercised, the Federal depletion not used due to 65% limit may not be carried over. Lease bonus received is considered income subject to depletion. If depletion is claimed on a lease bonus and no income is received as a result of non-producing properties, upon expiration of the lease, such depletion must be restored. A complete schedule by property must be furnished.

### REFUNDABLE CREDITS...

A refundable credit is available for qualified capital expenditures, wages and training expenses incurred by a business enterprise whose principal activity is data processing services, computer systems design services or other computer related services that as of July 1, 2005, maintains an Oklahoma annual payroll of at least \$85 million and an Oklahoma labor force of 1,000 or more persons. The Computer Industry Credit may be claimed by filing Form 580 any time on or after July 1, 2006, or the credit may be claimed on the estimated tax line of the income tax return. Form 580 must be enclosed with the return. Title 68 O.S. Section 2357.201 and Rule 710:50-15-100.

A refundable credit is available for qualified capital expenditures, wages and training expenses incurred by a business enterprise whose principal activity is the manufacture of wing components for large commercial aircraft and other aerospace structures and components for commercial and government aerospace products. The Aerospace Industry Credit may be claimed by filing Form 581 any time on or after July 1, 2006, or the credit may be claimed on the estimated tax line of the income tax return. Form 581 must be enclosed with the return. Title 68 O.S. Section 2357.202 and Rule 710:50-15-100.

### UNDERPAYMENT OF ESTIMATED TAX INTEREST

All S corporations, which are paying tax at the corporate level, are required to make estimated tax payments when the tax for the taxable year can reasonably be expected to be \$500 or more. The estimated tax payments shall not be less than 70% of the amount of tax due (tax liability less all credits except amounts paid on estimated tax and extension payments), or 100% of the prior year's tax liability. Should deficiencies occur, the amount of underpayment shall be subject to interest at an annual rate of 20%, or fraction thereof, for the period of underpayment. Enclose Form OW-8-P.

*Note: No underpayment of estimated tax interest shall be imposed if the tax liability shown on the return is less than \$1,000.*

### AMENDED RETURNS

Use Form 512-S for all amended returns. Place an X in the space provided, in the upper right hand corner of the form, next to the form number (512-S ). Enclose Federal Amended Form 1120-S when applicable.

When amending Form 512-S for S corporations which are paying tax at the corporate level, line 9 (tax paid on estimate) must be adjusted by subtracting previous overpayments or adding tax previously paid. An overpayment on an amended return may not be credited to estimated tax, but will be refunded. The amount applied to estimated tax on the original return cannot be adjusted.

### ADJUSTMENTS BY INTERNAL REVENUE SERVICE

Taxpayers who file "consents" extending the time for making Federal adjustments automatically extend the time for making State adjustments. The taxpayer is also required to file an amended return reporting all Internal Revenue Service adjustments. A copy of the finalized RAR must be furnished.

### BANK AND CREDIT UNIONS

State and national banks and state credit unions, making a Federal Subchapter S election, shall not pay an "In Lieu" tax of 6% per Title 68 O.S. Section 2370. The income or loss of that entity shall be reported at the shareholder level.

**COMPUTATION OF ALLOCABLE AND/OR APPORTIONABLE INCOME**

**Part 2, Column A and Part 3, Column A** are to be completed by all S corporations. All S corporations start with Part 2.

**Part 2, Column B and Part 3, Column B, lines 1 through 14** are to be completed by S corporations deriving all of their income from within Oklahoma or by S corporations whose business within and without Oklahoma is oil and gas production, mining, farming, or rental. This should be completed using the direct accounting method.

**Part 4** is to be completed by S corporations conducting a business of a unitary nature. A unitary business is one whose income is derived from the conduct in more than one state of a single business enterprise, all the factors of which are essential to the realization of an ultimate gain derived from the enterprise as a whole, and not from its component parts which are too closely connected and necessary to each other to justify division or separate allocation.

**SAFETY PAYS OSHA CONSULTATION SERVICE EXEMPTION:**

*(Part 2, Column B, line 19 or Part 4, line 3)*

An employer that is eligible for and utilizes the Safety Pays OSHA Consultation Service provided by the Oklahoma Department of Labor shall receive a \$1,000 exemption for the tax year the service is utilized. Employers must be able to substantiate their participation in the Oklahoma Department of Labor's Safety Pays Consultation Service upon request.

**QUALIFIED REFINERY PROPERTY:**

*(Title 68 O.S. Section 2357.204)*

**• The election to expense instead of depreciate**

A refinery may elect to treat 100% of the cost of qualified refinery property located in Oklahoma as an expense that is not chargeable to a capital account. Any cost so treated is allowed as a deduction for the year in which the qualified refinery property expense is incurred. Once made, the election is irrevocable without the consent of the Oklahoma Tax Commission. The depreciation deducted on the Federal return for such property must be added back in this and in all subsequent years.

**Note:** A report must be attached to certify that the provisions of Title 68 O.S. Section 2357.204(E) & (F) have been met. No deduction under this section will be allowed unless this certification is enclosed with the refinery's income tax return.

**If you are the Refinery -**

*(Part 2, Column B, line 19, or Part 4, line 3 as a deduction)*

To make the election to expense the cost of qualified refinery property located in Oklahoma in the tax year in which the expense is incurred, deduct the cost of the property on a timely filed return, unless a second election is made by the refinery to allocate all or a portion of the deduction to its owners. If the second election is made, do not deduct such portion on Form 512-S. Each owner will report their allowable share of the deduction on their own income tax return; see "The election to allocate expense to owners" below.

**If you are the Refinery -**

*(Part 2, Column B, line 5 or Part 4, line 2 as an addition)*

If the election was made to expense the cost of qualified refinery property located in Oklahoma on this year or on a previous year's Oklahoma return, the depreciation deduction claimed on the Federal return for such property must be added back to arrive at Oklahoma taxable income. This addition must be made regardless of whether the expense is claimed on the corporate return or allocated to its owners.

**• The election to allocate expense to owners**

The refinery may elect to allocate all or a portion of the deduction to its owners. The allocation for each person is equal to the ratable share of the total amount allocated, determined on the basis of the ownership interest of the person. If this election is made, such portion of the cost of the qualified refinery property is not deducted as an expense on Form 512-S. Each owner reports their allowable share of the deduction on the designated line on their own income tax return. The refinery must attach a schedule stating the qualified refinery property(ies), the date(s) placed in service, the total cost being expensed, and the portion of such expense allocated to each owner; including the owner's name and Federal identification number.

**If you are the owner -**

*(Part 2, Column B, line 19, or Part 4, line 6 as a deduction)*

Deduct the portion of the cost of the qualified refinery property allocated to you as an owner in the refinery. Attach a schedule stating your corporate name and FEI number, the refinery/company name and FEI number, the qualified refinery property(ies), the date(s) placed in service, and the portion of cost allocated to you.

## LINE BY LINE INSTRUCTIONS FOR DETERMINING OKLAHOMA NET DISTRIBUTABLE INCOME

### COST OF COMPLYING WITH SULFUR

#### REGULATIONS: *(Title 68 O.S. Section 2357.205)*

A qualified refinery may make an irrevocable election to allocate all or a portion of the cost of complying with sulfur regulations issued by the Environmental Protection Agency as a deduction allowable to its owners. The allocation for each person is equal to the ratable share of the total amount allocated, determined on the basis of the ownership interest of the person. The taxable income of the refinery shall not be reduced by the reason of any amount allowed under this section.

#### **If you are the Refinery -**

To make the election, attach a schedule stating your corporate name and FEI number, a list of the costs of complying with sulfur regulations some or all of which are being allocated to your owners, and the portion of such costs allocated to each owner. Including the owner's name and Federal identification number. You shall also provide each owner with written notice of the amount of the allocation. The notice must include your corporate name and FEI number and the owner's name and FEI number.

#### **If you are the Owner -**

##### *(Part 2, Column B, line 19, or Part 4, line 6)*

Deduct the portion of the cost of complying with sulfur regulations which have been allocated to you. Attach the written notice of the allocation received from the refinery.

### EMPLOYERS PROVIDING CHILD CARE PROGRAMS FOR THEIR EMPLOYEES:

#### *(Part 2, Column B, line 5 or Part 4, line 6 as an addition)*

Employers incurring expenses to provide Oklahoma child care services for children of their employees may be allowed a credit. If allowed, the eligible expenses upon which the credit is based must be added back to arrive at Oklahoma net distributable income. See Form 511CR, number 12 for the credit. Enclose a schedule of eligible expenses and the computation of the credit. Title 68 O.S. Section 2357.26 and Rule 710:50-15-91.

## PART 2

To compute Oklahoma net distributable income, All S corporations start with Part 2.

#### **Lines 1-21, Column A:**

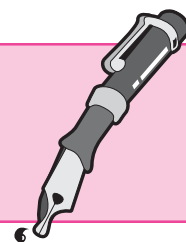
Part 2, Column A must be completed by all S corporations. List exact figures as reported on the front page of your Federal 1120-S.

#### **Lines 1-21, Column B:**

Part 2, Column B is to be used by S corporations deriving all of their income from within Oklahoma. This column is also to be used by all S corporations whose business, both within and without Oklahoma, is oil and gas production, mining, farming, or rental. This should be completed using the direct accounting method. S corporations conducting business of a unitary nature do not complete Column B.

Corporations incurring expenses to provide Oklahoma child care services for children of their employees should refer to the "Employers Providing Child Care Programs for their Employees" in the left column of this page.

**DON'T FORGET  
TO SIGN  
YOUR RETURN!**



## PART 3

**If Federal and Oklahoma net distributable incomes are the same, you may complete line 18 of Part 3, then complete Part 5.**

**A copy of your Federal Form 1120-S and K-1 must be enclosed with your Oklahoma return.**

**An Oklahoma return must be filed.**

#### **Lines 1-18, Column A:**

Part 3, Column A is to be used by all S corporations. List figures as reported on your federal 1120-S, Sch. K.

#### **Lines 1-18, Column B:**

Part 3, Column B is to be used by S corporations deriving all of their income from within Oklahoma. This will be the same as in Column A, except for lines 4b and 4c.

This column is also used by S corporations whose business within and without Oklahoma is oil and gas production, mining, farming, or rental. Complete this column on a direct accounting basis as follows:

#### **Line 1 -**

Income (loss) shall be allocated in accordance with the situs of such property. Overhead expense shall be allocated on the basis of direct expense in Oklahoma to the total direct expense everywhere. Use Page 2, Part 2 or enclose a schedule.

#### **Lines 2 and 3 -**

Income (loss) from real and tangible personal property shall be allocated in accordance with the situs of such property.

**PART 3, CONTINUED...**

**Line 4 -**

Accounts receivable interest income and interest income from investments held to generate working capital shall be allocated to Oklahoma on the basis of direct expense. See line 1 on page 6.

All other intangible income (loss) shall be allocated in accordance with the situs of the S corporation. Gains or losses from the sale of leases and gains or losses from the sale of real and tangible personal property, shall be allocated in accordance with the situs of the property.

**Line 4b - State and Municipal Bond Interest:**

S Corporations domiciled in Oklahoma that receive income on bonds issued by any state or political subdivision thereof, exempt from Federal taxation but not exempt from taxation by the laws of the State of Oklahoma, shall add the total of such income to arrive at Oklahoma income.

- 1) Income from all bonds, notes or other obligations issued by the State of Oklahoma, the Oklahoma Capital Improvement Authority, the Oklahoma Municipal Power Authority, the Oklahoma Student Loan Authority, and the Oklahoma Transportation Authority (formerly Turnpike Authority) is exempt from Oklahoma income tax. The profit from the sale of such bond, note or other obligations shall be free from taxation.
- 2) Income from local Oklahoma governmental obligations issued after July 1, 2001, other than those provided for in line 1, is exempt from Oklahoma income tax. The exceptions are those obligations issued for the purpose of providing financing for projects for nonprofit corporations. Local governmental obligations shall include bonds or notes issued by, or on behalf of, or for the benefit of Oklahoma educational institutions, cities, towns, or counties or by public trusts of which any of the foregoing are beneficiary.
- 3) Income from Oklahoma State and Municipal Bonds issued prior to July 2, 2001, other than those provided for in line 1, is exempt from Oklahoma income tax only if so provided by the statute authorizing their issuance.
- 4) Income on bonds issued by another state or political subdivision thereof (non-Oklahoma), exempt from Federal taxation, is taxable for Oklahoma income tax.

Enclose a schedule of all municipal interest received by source and amount. If the income is from a mutual fund which invests in government obligations, enclose a detailed schedule from the mutual fund showing the amount of monies received from each government obligation or the percentage of funds received from each obligation.

**Note:** If the interest is exempt, the capital gain/loss from the sale of the bond may also be exempt. The gain/loss from sale of a state or municipal bond, other than those provided for in line 1, is exempt only if so provided by the statute authorizing its issuance.

**Line 4c - Interest on U.S. Government Obligations:**

If you report interest on bonds, notes, and other obligations of the U.S. on your Federal return, it may be excluded from your Oklahoma income if a detailed schedule is furnished, accompanied with 1099s showing the amount of interest income and the name of the obligation from which the interest is earned. If the interest is from a mutual fund which invests in government obligations, enclose a detailed schedule from the mutual fund showing the amount of monies received from each obligation or the percentage of funds received from each obligation. Interest from entities such as FNMA & GNMA does not qualify.

**Lines 7 through 9 -**

Gains or losses from the sale of the following shall be allocated in accordance with the situs of the property:

- real or tangible personal property,
- lease, royalty or bonus income from oil and gas properties.

**Line 10 -**

The gain on property, for which a section 179 expense deduction was passed through to shareholders and which is reported as Supplemental Information on the Federal K-1, is to be reported on this line for Oklahoma purposes. Enclose the following: description of the property, date the property was acquired, date the property was sold, gross sales price, cost or other basis plus expense of sale (including the S corporation's basis reduction in the property due to the section 179 expense deduction), depreciation allowed or allowable (not including the section 179 expense deduction), and amount of section 179 expense deduction (if any) passed through to each shareholder for the property and the S corporation's tax year(s) in which the amount was passed through.

**Lines 12 through 17 -**

Expenses relative to the income above shall be allocated directly to that income.

**PART 4**

Part 4 is to be used by S corporations conducting a business of unitary nature. A unitary business is one whose income is derived from the conduct in more than one state of a single business enterprise all the factors of which are essential to the realization of an ultimate gain derived from the enterprise as a whole, and not from its component parts which are too closely connected and necessary to each other to justify division or separate allocation.

Generally, the resulting amount is apportioned to Oklahoma based on the 3-factor formula. The basis of the apportionment is the average of three factors consisting of property, payroll and sales. Each factor is a ratio of the total within Oklahoma to the total everywhere. To the income apportioned to Oklahoma there is to be added all income separately allocated to Oklahoma with the result being Oklahoma taxable income. Title 68 O.S. Section 2358.

**Line 1** - Enter net distributable income from Page 2, Part 3, Column A, line 18.

**Line 2** - Deductions relating to income which is separately allocable shall not be allowed as apportionable and will be entered here.

**Line 3** - Income from U.S. obligations (see Part 3, line 4c instructions) and net income separately allocated (oil and gas production, mining, farming, or rentals and other Corporation income or loss) will be entered here. Gains or losses from sale of intangible personal property which is directly allocated should also be entered here.

**Line 4** - Total apportionable income.

**Line 5** - Apportionment Factor from Apportionment Schedule.

**Line 6** - Income separately allocated to Oklahoma should be entered here (interest income from state obligations or political subdivisions, oil and gas production, mining, farming or rentals, etc.).

Corporations incurring expenses to provide child care services for children of their employees should refer to the "Employers Providing Child Care Programs for their Employees" on page 6.

**Line 7** - Oklahoma net distributable income. Place this figure on Page 2, Part 3, Column B, line 18. Then complete Part 5.

**Estimated Income Tax Options**

Forms and paper checks are not your only option when making estimated income tax payments. You may pay directly from your checking account electronically or by credit card through the Oklahoma Tax Commission website.

Log on to [www.tax.ok.gov](http://www.tax.ok.gov) and visit the "Payment Options" link for more information.

**PART 5**

All S corporations must complete Part 5.

If your business is either wholly Oklahoma or of an allocable nature, complete Part 5 after you complete Part 3. If your business is of a unitary nature, complete Part 5 after you complete Part 4.

**Shareholder's Pro Rata Share of Income**

Enter the names, Social Security Numbers or Federal Identification Numbers and addresses of the shareholders, and write in the applicable column each shareholder's pro rata share of net income, whether distributed or not.

**Notice:**

The amount shown on Part 5 may not be the amount to be entered on the shareholder's Oklahoma income tax return. This amount includes all allowable S corporation income, losses and deductions; however, some of these items may be limited on the Federal individual return. If these items are allowed in full or in part on your Federal income tax return, they will be allowed to the same extent on your Oklahoma return.

**Corporations Please Note:**

*Nonresident shareholders must enclose Form 512-SA indicating that an income tax form will be filed with Oklahoma reporting their income or loss. This agreement must be enclosed with the original S corporation income tax return, Form 512-S, for each nonresident shareholder, otherwise the corporation shall be taxed on that part of the corporation's net income allocable to the shares of stock owned by the nonresident shareholder.*

*Once the agreement has been signed, it is irrevocable for this tax year. If a signed agreement is not submitted with the original filed return, the tax on the corporation is binding. Shareholder's social security number or Federal identification number must be shown for the agreement to be valid.*

**PART 5, CONTINUED...**

**OKLAHOMA CREDITS AND WITHHOLDING**

**Withholding**

Oklahoma income tax is withheld from oil and gas royalties paid to nonresident S corporations. Enter each shareholder's portion of such withholding. The S corporation must enclose its Form 500-A, Form 1099-MISC, Form K-1 or other documentation to substantiate any Oklahoma withholding passing through to its shareholders.

Note: If you have any nonresident shareholders who have not filed a withholding exemption affidavit (Form OW-15), Oklahoma income tax should have been withheld on any distribution of Oklahoma taxable income. Such withholding is not reported here, instead you should have issued a Form 500-B to your nonresident shareholder.

**Credits**

Enter and describe each shareholder's portion of credits. Enclose all forms required to substantiate the credit(s). See the instructions for Part 1 "Oklahoma Credits" for more detail on the credits available.

**PART 1**

Part 1 is to be completed for those nonresident shareholders for whom the Nonresident Shareholder Agreement (Form 512-SA) is not enclosed. The S corporation will be taxed on the nonresident's share of income.

**Electronic Checks Accepted through Web**

Paper checks are not your only option when paying your balance due. You may pay directly from your checking account electronically through the Oklahoma Tax Commission website.

Log on to [www.tax.ok.gov](http://www.tax.ok.gov) and visit the "Payment Options" link to make a payment electronically.

Other tax types are also accepted through this payment system, including estimated tax payments.

**Line 1b - Nonresident Share of Deductions**

**• Share of Net Operating Loss Carryover**

Enter the amount of Net Operating Loss carryover which is attributable to those nonresidents who did not file a nonresident shareholder agreement (Form 512-SA) in the loss year. *Enclose a detailed schedule.*

**• Oklahoma Capital Gain Deduction:**

Taxpayers can deduct qualifying gains receiving capital treatment which are included in Federal taxable income. "Qualifying gains receiving capital treatment" means the amount of the net capital gains, as defined under the Internal Revenue Code Section 1222(11). The qualifying gain must:

- 1) Be earned on real or tangible personal property located within Oklahoma that you have owned, either directly or indirectly, for at least five uninterrupted years prior to the date of the sale, or
- 2) Be earned on the sale of stock or ownership interest in an Oklahoma company, limited liability company, or partnership where such stock or ownership interest has been owned, directly or indirectly, by you for at least three (two for individuals) uninterrupted years prior to the date of the sale.

Form 561-S is used to determine the qualifying Oklahoma net capital gain of the nonresident shareholders whose income is reported on Form 512-S, Part 1; those who did not file a nonresident shareholder agreement (Form 512-SA). Enclose Form 561-S and a copy of your Federal Schedule D.

**• Oklahoma Depletion:**

For each nonresident shareholder whose income is reported in Part 1, line 1a, Oklahoma depletion on oil and gas well production, at the option of the taxpayer, may be computed at 22% of gross income derived from each Oklahoma property during the taxable year. Major oil companies, as defined in Title 52 O.S. Section 288.2, when computing Oklahoma depletion shall be limited to 50% of the net income (computed without the allowance for depletion) from each property.

Lease bonus received is considered income subject to depletion. If depletion is claimed on a lease bonus and no income is received as a result of non-producing properties, upon expiration of the lease, such depletion must be restored. A complete schedule by property must be furnished.

**PART 1, CONTINUED...**

**Oklahoma Credits...**

Enclose a copy of the credit form or schedule. Complete the schedule showing each shareholder's pro rata share of credit. For each credit, enter that portion attributable to the nonresident shareholders who do not file a nonresident shareholder agreement (Form 512-SA).

**Line 3 - Oklahoma Investment/New Jobs Credit**

Those engaged in manufacturing or that are a web search portal (including partnership or Sub-S pass through) who are entitled to Oklahoma Investment/New Jobs Credit enclose Form 506. (This credit has no relationship to Federal Investment Credit.) Title 68 O.S. Section 2357.4 and Rule 710:50-15-74.

**Line 4 - Gas Used in Manufacturing Credit**

A credit is available at the rate of three mills per thousand cubic feet of gas used or consumed during each taxable year when used in manufacturing. This shall not apply to the first twenty-five thousand MCF used or consumed. Title 68 O.S. Section 2357 (C).

**Line 5 - Credit for Biomedical Research Contribution**

A credit is allowed to any taxpayer who makes a donation to a qualified independent biomedical research institute. The credit is 50% of the amount donated, but may not exceed \$1,000. Any credit allowed, but not used, will have a four year carryover provision. An "independent biomedical research institute" means an organization which is exempt from taxation under the Internal Revenue Code section 501(c)(3) whose primary focus is conducting peer-reviewed basic biomedical research. The organization shall have a board of directors, be able to accept grants in its own name, be an identifiable institute that has its own employees and administrative staff, and receive at least \$15 million in National Institute of Health funding each year. A copy of the canceled check or receipt must be provided as proof of the donation. Title 68 O.S. Section 2357.45.

**Line 6 - Other Credits**

The amount of other credits claimed on Form 511CR should be entered on this line. Enter in the box the number that corresponds with the credit to which the taxpayer is entitled. If you are entitled to more than one credit, enter "99" in the box. See the following for a list of credits available on Form 511CR. Enclose Form 511CR and any applicable forms or schedules. This form can be obtained by calling our forms request line at (405) 521-3108 or from our website at www.tax.ok.gov.

- Oklahoma Investment/New Jobs Credit  
Enclose Form 506.  
Title 68 O.S. Section 2357.4 and Rule 710:50-15-74.
- Coal Credit  
Title 68 O.S. Section 2357.11 and Rule 710:50-15-76.
- Credit for Energy Assistance Fund Contribution  
Title 68 O.S. Section 2357.6.
- Venture Capital Credit  
Title 68 O.S. Section 2357.7,8 and Rule 710:50-15-77,78.
- Credit for Conversion of a Motor Vehicle to Clean Burning Fuels or for Investment in Qualified Electric Motor Vehicle Property  
Title 68 O.S. Section 2357.22 and Rule 710:50-15-81.
- Credit for Hazardous Waste Disposal  
Title 27A O.S. Section 2-11-303 and Rule 710:50-15-75.
- Credit for Qualified Recycling Facility  
Title 68 O.S. Section 2357.59 and Rule 710:50-15-84.
- Small Business Capital Credit  
Enclose Form 527-A.  
Title 68 O.S. Section 2357.60 - 2357.65 and Rule 710:50-15-86.
- Oklahoma Agricultural Producers Credit  
Enclose Form 520.  
Title 68 O.S. Section 2357.25 and Rule 710:50-15-85.
- Small Business Guaranty Fee Credit  
Enclose Form 529.  
Title 68 O.S. Section 2357.30.
- Credit for Employers Providing Child Care Programs  
Title 68 O.S. Section 2357.26 and Rule 710:50-15-91.
- Credit for Entities in the Business of Providing Child Care Services  
Title 68 O.S. Section 2357.27.
- Credit for Food Service Establishments that Pay for Hepatitis A Vaccination for their Employees  
Title 68 O.S. Section 2357.33.
- Credit for Commercial Space Industries  
Title 68 O.S. Section 2357.13.
- Credit for Nonstop Air Service from Oklahoma to the Coast  
Title 68 O.S. Section 2357.28.

**Tax Tips:**

- Check your calculations carefully.
- Don't forget to sign your tax return.**
- Always copy your return for your records.



**PART 1, CONTINUED...**

- Credit for Tourism Development  
Title 68 O.S. Section 2357.34 - 2357.40.
- Oklahoma Local Development and Enterprise Zone Incentive Leverage Act Credit  
Title 68 O.S. Section 2357.81.
- Credit for Qualified Rehabilitation Expenditures  
Title 68 O.S. Section 2357.41.
- Credit for Space Transportation Vehicle Provider  
Title 68 O.S. Section 2357.42  
and Rule 710:50-15-93.
- Rural Small Business Capital Credit  
Enclose Form 526-A.  
Title 68 O.S. Section 2357.71 - 2357.76  
and Rule 710:50-15-87.
- Credit for Electricity Generated by Zero-Emission Facilities  
Title 68 O.S. Section 2357.32A.
- Credit for Financial Institutions Making Loans under the Rural Economic Development Loan Act  
Title 68 O.S. Section 2370.1.
- Credit for Manufacturers of Small Wind Turbines  
Title 68 O.S. Section 2357.32B  
and Rule 710:50-15-92.
- Credit for Qualified Ethanol Facilities  
Title 68 O.S. Section 2357.66  
and Rule 710:50-15-106.
- Poultry Litter Credit  
Title 68 O.S. Section 2357.100  
and Rule 710:50-15-95.
- Volunteer Firefighter Credit  
Enclose the Oklahoma State Firefighter Association's form, Form 1A or Form 1B.  
Title 68 O.S. Section 2385.7  
and Rule 710:50-15-94.
- Credit for Qualified Biodiesel Facilities  
Title 68 O.S. Section 2357.67  
and Rule 710:50-15-98.
- Film or Music Project Credit  
Enclose Form 562.  
Title 68 O.S. Section 2357.101  
and Rule 710:50-15-101.
- Credit for Breeders of Specially Trained Canines  
Title 68 O.S. Section 2357.203  
and Rule 710:50-15-97.
- Credit for Wages Paid to an Injured Employee  
Title 68 O.S. Section 2357.47  
and Rule 710:50-15-107.
- Credit for Modification Expenses Paid for an Injured Employee  
Title 68 O.S. Section 2357.47  
and Rule 710:50-15-107.
- Dry Fire Hydrant Credit  
Title 68 O.S. Section 2357.102  
and Rule 710:50-15-99.
- Credit for the Construction of Energy Efficient Homes  
Title 68 O.S. Section 2357.46  
and Rule 710:50-15-104.

- Credit for Railroad Modernization  
Title 68 O.S. Section 2357.104  
and Rule 710:50-15-103.
- Research and Development New Jobs Credit  
Enclose Form 563.  
Title 68 O.S. Section 54006  
and Rule 710:50-15-105.

**Line 11 - Oklahoma Withholding**

Enter the portion of Oklahoma withholding that is passing through the S corporation to those non-resident shareholders who did not file a nonresident shareholder agreement (Form 512-SA). The shareholder's portion of such withholding is shown on Page 4, Part 5, Column 9. Enclose the Form 1099-MISC, Form 500-A, Form K-1 or other withholding statement received by the S corporation to substantiate the Oklahoma withholding.

Enter the Oklahoma income tax withheld from Oklahoma distributions made to your nonresident shareholders who did not file a nonresident shareholder agreement (Form 512-SA). The shareholder's withholding is shown on the Form 500-B. Enclose a copy of the Form 500-B for each such nonresident shareholder.

*Note: Do not include the portion of the S corporation's withholding passing through to resident shareholders or to those nonresident shareholders who filed a nonresident shareholder agreement (Form 512-SA).*

**Line 15 - Donations from Your Refund**

You have the opportunity to make a financial gift from your refund to a variety of Oklahoma organizations. Enter the amount of your donation and place the number of the organization shown on pages 12-14 in the oval on line 15 of Form 512-S. If you give to more than one organization, put a "99" in the oval and attach a schedule showing how you would like your donation split.



**Need a form or have  
a tax question  
after hours?  
No problem.**

Visit our website at  
**[www.tax.ok.gov](http://www.tax.ok.gov)**  
for all your tax needs 24 hours a  
day, seven days a week.

**1 Oklahoma Wildlife Diversity Program**

The Oklahoma Wildlife Diversity Program is funded primarily by concerned Oklahomans. All donations provide for a variety of projects. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Wildlife Diversity Program  
1801 North Lincoln Blvd.  
Oklahoma City, OK 73105**

**2 Department of Veterans Affairs Contribution**

You may donate from your tax refund to help the Department of Veterans Affairs purchase equipment, develop capital improvement projects and to acquire properties for expanding or improving existing projects. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Department of Veterans Affairs  
PO Box 53067  
Oklahoma City, OK 73152**

**3 Oklahoma Breast and Cervical Cancer Fund**

You may donate for the benefit of breast and cervical cancer early detection, public education and research. Your donation will be placed in a fund to be used for the purpose of funding programs to increase knowledge of breast and cervical cancer risk and prevention and to provide mammograms, pap tests and biopsies for low income women. If you are not receiving a refund, you may still donate. Mail your contribution to:

**State Department of Health  
Breast and Cervical Cancer Revolving Fund  
1000 NE 10th Street  
Oklahoma City, OK 73152**

**4 Oklahoma City Bombing Memorial Fund**

You may donate to remember the victims of the April 19, 1995 bombing of the Alfred P. Murrah Federal Building. Donations will help defray the expense to construct and maintain the National Memorial created to honor the victims of the bombing. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma City National Memorial Foundation  
PO Box 323  
Oklahoma City, OK 73101-0323**

**5 Oklahoma School for the Deaf and Oklahoma School for the Blind**

The Oklahoma School for the Deaf and the Oklahoma School for the Blind provide free preschool through high school education programs for children with hearing or vision disabilities. The schools also provide advice for families of infants and preschoolers and consultation statewide to help local schools meet the educational needs of their students with these disabilities. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma Department  
of Rehabilitation Services  
c/o: OSD/OSB Donation  
3535 NW 58th Street, #500  
Oklahoma City, OK 73112-4815**

**6 Tulsa Reconciliation Education and Scholarship Trust Fund**

You may donate from your tax refund for the benefit of scholarships pursuant to the Tulsa Reconciliation Education and Scholarship Trust Fund. Monies generated from donations shall be used to provide scholarship awards to residents of the Tulsa Public School District, which was greatly impacted both socially and economically by the civil unrest that occurred in the City of Tulsa during 1921. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma State Regents for Higher Education  
c/o: Tulsa Reconciliation Education  
and Scholarship Fund  
PO Box 108850  
Oklahoma City, OK 73101-8850**

**7 Oklahoma Silver Haired Legislature Program**

You may donate from your tax refund for the benefit of Oklahoma Silver Haired Legislature activities. The Oklahoma Silver Haired Legislature was created in 1981 as a forum to educate senior citizens in the legislative process and to highlight the needs of older persons to the Oklahoma State Legislature. Monies generated from donations will be used by the Department of Human Services to fund the Oklahoma Silver Haired Legislature including training sessions and interim studies. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma Silver Haired Legislature and Alumni  
c/o Division of Aging Services  
312 NE 28th Street  
Oklahoma City, OK 73105**

**8 Support of Oklahoma Common Schools**

You may donate from your tax refund for the benefit of Oklahoma common schools. Donations will be placed in a fund to be used by the Department of Education for the purpose of funding common education. Monies from the fund will be apportioned as and in the manner that state aid is provided to the common schools. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma State Department of Education  
C/O Support of Oklahoma Common Schools  
2500 North Lincoln Blvd., Suite 112  
Oklahoma City OK 73105**

**9 Support of Oklahoma Road and Highway Maintenance**

You may donate from your tax refund for the benefit of maintenance of Oklahoma's roads, highways and bridges. Donations will be placed in a fund to be used by the Department of Transportation (ODOT) for the purpose of funding road, highway and bridge maintenance. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma Department of Transportation  
Attn: Comptroller Division  
200 NE 21st Street  
Oklahoma City OK 73105**

**10 Support of Oklahoma Medicaid Program**

You may donate from your tax refund for the benefit of the Oklahoma Medicaid Program. The program provides health care to low-income children, pregnant women, elderly Oklahomans and people with disabilities. Your donation will be matched with Federal Medicaid money. Every dollar donated will draw approximately \$2.40 in Federal dollars. Donations will be placed in a fund to be used by the state Health Care Authority for the purpose of funding the Medicaid program. If you are not receiving a refund, you may still donate. Mail your contribution to:

**OHCA  
PO Box 18276  
Oklahoma City OK 73154**

**11 County Fair Enhancement Fund**

You may donate from your tax refund for the benefit of Oklahoma county fairs. Donations will be placed in the Oklahoma County Fair Enhancement Fund. Funds will be expended by the State Department of Agriculture, Food and Forestry to be used for construction, facility improvements, and payment of premiums at county fairs. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma Dept. of Agriculture, Food & Forestry  
Market Development Division  
2800 North Lincoln Blvd.  
Oklahoma City OK 73105**

**12 Junior Livestock Auction Scholarship Fund**

You may donate from your tax refund for the benefit of the State of Oklahoma Junior Livestock Auction Scholarship Revolving Fund. Monies from the fund may be budgeted and expended by the State Department of Agriculture, Food and Forestry for the purpose of helping fund educational opportunities for students exhibiting at the two statewide Junior Livestock Auctions which service the entire state and are held annually in Oklahoma City and Tulsa. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma Dept. of Agriculture, Food & Forestry  
Market Development Division  
2800 North Lincoln Blvd.  
Oklahoma City OK 73105**

## Credit Card Payments Accepted

You can pay the balance due on your return by credit card. Payments can be made for any tax year. Estimated income tax payments are also accepted.

• **Log on to our website at [www.tax.ok.gov](http://www.tax.ok.gov). Click on the "Payment Options" link to pay online.**

• **You may also make a payment by credit card by phone at: 1-800-2PAY-TAX (1-800-272-9829)\*.**

*\*Note: If you live outside of Oklahoma, you will need to enter the jurisdiction code "4600" if paying by phone.*



*Please keep in mind that there is a convenience fee of 2.5% for utilizing this service based on the amount of the charged balance due.*

**13 Support of Programs for Volunteers to Act as Court Appointed Special Advocates for Abused or Neglected Children**

You may donate from your tax refund to support programs for volunteers to act as Court Appointed Special Advocates for abused or neglected children. Donations will be placed in the Income Tax Checkoff Revolving Fund for Court Appointed Special Advocates. Monies will be expended by the Office of the Attorney General for the purpose of providing recruitment, training, and supervision of the special advocates. All Court Appointed Special Advocate programs in the state shall receive a portion of this money. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma CASA Association, Inc.  
PO Box 54946  
Oklahoma City OK 73154**

**14 Oklahoma Pet Overpopulation Fund**

You may donate from your tax refund for the benefit of the Oklahoma Pet Overpopulation Fund. Monies placed in this fund will be expended by the Department of Agriculture, Food and Forestry for the purpose of developing educational programs on pet overpopulation and for implementing spay/neuter efforts in this state. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma Dept. of Agriculture, Food & Forestry  
Animal Industry Division  
2800 North Lincoln Blvd.  
Oklahoma City OK 73105**

**15 Support the Retirement of Capitol Dome Debt**

You have the opportunity to help retire the debt incurred in construction and completion of the Oklahoma State Capitol Dome. Anyone may donate to the Oklahoma Centennial Commission's Fund to defray the dome construction cost.

If you are not receiving a refund, you may still donate. If you are not receiving a refund, you may still donate. Mail your contribution to:

**Oklahoma Centennial  
Commemoration Fund, Inc.  
133 W Main Street, Suite 100  
Oklahoma City, OK 73102.**

**16 Support of the Oklahoma National Guard**

You have the opportunity to donate from your tax refund for the benefit of providing financial relief to qualified members of the Oklahoma National Guard and their families. Donations will be placed in the Income Tax Checkoff Revolving Fund for the Support of the Oklahoma National Guard Relief Program. Monies, to assist Oklahoma National Guard members and their families with approved hardship expenses, will be expended by the Military Department.

If you are not receiving a refund, you may still donate. Please mail your contribution to:

**Operation Homefront Task Force  
3501 Military Circle  
Oklahoma City, OK 73111-4398**



The Oklahoma Tax Commission's QuickTax system is available for your business tax filing needs. This online system will accept returns and payments for the following tax types:

- Sales Tax • Use Tax (vendor and consumer)
- Withholding Tax • Mixed Beverage Tax
- Tourism Tax • Waste Tire Tax
- Nonresident Royalty Withholding Tax
- Estimated Income Tax

Payment options include ACH debit, ACH credit, and credit card. Set up just like your paper forms, the QuickTax system is faster and much easier than the paper method. Also, when you finish, you will receive a confirmation number, giving you the peace of mind in knowing your report and payment have been received.

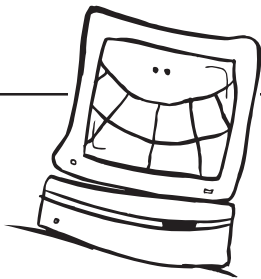
Log on to our website at [www.tax.ok.gov](http://www.tax.ok.gov). Give QuickTax a try with your next business tax filing, *because you didn't go into business to file tax forms!*

## WHEN YOU ARE FINISHED...

- In the event that you owe taxes, please enclose a check or money order payable to "Oklahoma Tax Commission". The taxpayer identification number and the tax year should be on your check or money order for your payment to be properly credited.
- When complete, make copies of all the documents for your records.
- Do not enclose any other tax reports or correspondence in this envelope.
- Payments may also be made via electronic check or credit card. Visit our website for more information. [www.tax.ok.gov](http://www.tax.ok.gov)
- If for some reason you do not have a pre-addressed return envelope, please mail the originals, along with any payment due, to:

Oklahoma Tax Commission  
Income Tax  
PO Box 26800  
Oklahoma City, OK 73126-0800

## HOW TO CONTACT THE OKLAHOMA TAX COMMISSION



### VISIT US ON THE WEB!

You'll find a wealth of information on our website, including downloadable tax forms, answers to common questions, and online filing options for both income and business taxes!

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

Whether you need a tax form, have a question or need further information, there are many ways to reach us.

### OFFICE LOCATIONS!

**Oklahoma City** • (405) 521-3160

2501 North Lincoln Boulevard

**Tulsa** • (918) 581-2399

440 South Houston, 5th Floor

**Ardmore** • (580) 226-4636

301 West Main, Suite 316

**Lawton** • (580) 248-8440

1602 NW Lawton Ave., Suite B

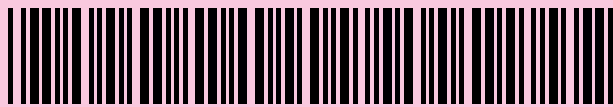
**McAlester** • (918) 426-0777

1533 South Main



### GIVE US A CALL!

The Oklahoma Tax Commission can be reached at (405) 521-3160. Corporate tax questions can be directed to (405) 521-3126. The in-state toll free number is (800) 522-8165. Press "0" for general assistance or "5" and then 1-3126 for corporate income tax assistance. Also see the box to the left for field office phone numbers.



## Wondering What These Are?

This new barcode, located near the top of each page of the Form 512-S, is for the Oklahoma Tax Commission to use in a new processing method. This barcode contains a page notation signifying the first page of a new return so the processing equipment knows to document that and the following pages as a new income tax return. Please do not write in this area.

Need a form or have a tax question after hours?



Visit our website at [www.tax.ok.gov](http://www.tax.ok.gov) for all your tax needs 24 hours a day, seven days a week.

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Oklahoma Tax Commission  
Income Tax  
P.O. Box 26800  
Oklahoma City, OK 73126-0800

Bulk Rate  
U.S. Postage Paid  
Oklahoma Tax Commission



# PART 2: ORDINARY INCOME FROM TRADE OR BUSINESS



Complete Column A. Column B should be completed by S Corporations whose income is all within Oklahoma and/or by those whose income is partly within and partly without Oklahoma (not of a unitary nature). **CAUTION:** Include only trade or business income and expenses on lines 1a through 21 below.

		Column A As reported on Federal Return	Column B Total applicable to Oklahoma
1	a. Gross receipts or sales . . . . . \$ _____		
	b. <b>Minus</b> returns and allowances \$ _____ = . . . . . 1	00	00
2	Cost of goods sold and/or operations . . . . . 2	00	00
3	Gross profit (subtract line 2 from line 1) . . . . . 3	00	00
4	Net gain (loss) (Form 4797 Part II, line 17) . . . . . 4	00	00
5	Other income (loss) (enclose schedule) . . . . . 5	00	00
6	<b>Total income</b> (loss) (add lines 3 through 5) . . . . . 6	00	00
7	Compensation of officers . . . . . 7	00	00
8	Salaries and wages . . . . . 8	00	00
9	Repairs and maintenance . . . . . 9	00	00
10	Bad debts . . . . . 10	00	00
11	Rent . . . . . 11	00	00
12	Taxes and licenses . . . . . 12	00	00
13	Interest . . . . . 13	00	00
14	Depreciation . . . . . 14	00	00
15	Depletion (do not deduct oil and gas depletion) . . . . . 15	00	00
16	Advertising . . . . . 16	00	00
17	Pension, profit-sharing, etc. plans . . . . . 17	00	00
18	Employee benefit programs . . . . . 18	00	00
19	Other deductions (enclose schedule) . . . . . 19	00	00
20	<b>Total deductions</b> (add lines 7 through 19) . . . . . 20	00	00
21	<b>Ordinary Income (Loss) from trade or business:</b> Subtract line 20 from line 6. Enter here and below on Part 3, line 1 . . . . . 21	00	00

Form 512-S - Page 2

# PART 3: SHAREHOLDERS' PRO RATA SHARE ITEMS

		Column A As reported on Federal Return	Column B Total applicable to Oklahoma
<b>Income (lines 1 through 11)</b>			
1	Ordinary income (loss) from trade or business (from above on Part 2, line 21) . 1	00	00
2	Net income (loss) from rental estate activity(ies) (enclose schedule) . . . . . 2	00	00
3	Net income (loss) from other rental activity(ies) (enclose schedule) . . . . . 3	00	00
4	Interest income		
	a: Interest on loans, notes, mortgages, bonds, etc. . . . . 4a	00	00
	b: Interest on obligations of a state or political subdivision . . . . . 4b		00
	c: Interest on obligations of the United States . . . . . 4c	00	
	d: Other interest income . . . . . 4d	00	00
5	Dividend income . . . . . 5	00	00
6	Royalties . . . . . 6	00	00
7	Net short-term capital gain (loss) (Schedule D, 1120-S) . . . . . 7	00	00
8	Net long-term capital gain (loss) (Schedule D, 1120-S) . . . . . 8	00	00
9	Net gain (loss) under Section 1231 (other than due to casualty or theft) . . . . . 9	00	00
10	Other (enclose schedule) . . . . . 10	00	00
11	<b>Total income</b> (add lines 1 through 10) . . . . . 11	00	00
<b>Deductions (lines 12 through 17)</b>			
12	Section 179 deduction (enclose schedule) . . . . . 12	00	00
13	Contributions . . . . . 13	00	00
14	Deductions related to portfolio income . . . . . 14	00	00
15	Intangible drilling costs . . . . . 15	00	00
16	Other deductions authorized by law (enclose schedule) . . . . . 16	00	00
17	<b>Total Deductions</b> (add lines 12 through 16) . . . . . 17	00	00
<b>Total (line 18)</b>			
18	Net distributable income (line 11 minus line 17) . . . . . 18	00	00

If Federal and Oklahoma distributable net incomes are the same, please see instructions on page 6 of packet.



COMPUTATION OF OKLAHOMA TAXABLE INCOME OF A UNITARY

PART 4: ENTERPRISE WHOSE INCOME IS PARTLY WITHIN AND PARTLY WITHOUT OKLAHOMA

1	Net distributable income from Page 2, Part 3, Column A, line 18 .....		1
2	Add: (a) Taxes based on income .....	2a	
	(b) Unallowable deduction (enclose schedule) .....	2b	
	(c) Other income (enclose schedule) .....	2c	
	(d) Total of lines 2a through 2c .....		2d
3	Deduct all items separately allocated:		
	(a) Interest on obligations of the United States .....	3a	
	(b) _____ .....	3b	
	(c) _____ .....	3c	
	(d) Total of lines 3a through 3c .....		3d
	(Note: Items listed in 2 and 3 above must be net amounts supported by schedules showing source, location, expenses, etc.)		
4	Net apportionable income (line 1 plus line 2d, minus line 3d) .....		4
5	Oklahoma's portion thereof _____%, from schedule below .....		5
6	Add items separately allocated to Oklahoma:		
	(a) _____ .....	6a	
	(b) _____ .....	6b	
	(c) _____ .....	6c	
	(d) _____ .....	6d	
	(e) Total of lines 6a through 6d .....		6e
7	Oklahoma net distributable income (add lines 5 and 6e; enter here and on Page 2, Part 3, Column B, line 18) ..		7

APPORTIONMENT FORMULA

	Column A Total Within Oklahoma	Column B Total Within and Without Oklahoma	A divided by B Percent Within Oklahoma
1	Value of real and tangible personal property used in the unitary business (by averaging the values at the beginning and ending of the tax period).		
	(a) Owned property (at original cost):		
			(I) Inventories .....
			(II) Depreciable property .....
			(III) Land .....
			(IV) Total of section "a" .....
			(b) Rented property (capitalize at 8 times net rental paid)
	\$	\$	(c) Total of sections "a" and "b" above .....
2			(a) Payroll .....
			(b) Less: Officers salaries .....
	\$	\$	(c) Total (subtract officer's salaries from payroll) .....
3	Sales :		
	(a) Sales delivered or shipped to Oklahoma purchasers:		
			(I) Shipped from outside Oklahoma .....
			(II) Shipped from within Oklahoma .....
			(b) Sales shipped from Oklahoma to:
			(I) The United States Government .....
			(II) Purchasers in a state or country where the ..... corporation is not taxable (i.e. under Public Law 86-272) .
	\$	\$	(c) Total of sections "a" and "b" .....
4	If Revenue, Traffic Units or Miles Traveled is used rather than Sales, indicate here: _____		
5	Total percent (sum of items 1, 2 and 3) .....		%
6	Average percent (1/3 of total percent) (Carry to Part 4, line 5 above) .....		%

Note: Enclose a complete copy of your Federal return.



# PART 5: SHAREHOLDERS' PRO RATA SHARE OF INCOME

1 Name and address of shareholder	Check if non-resident	2 SSN or FEIN	3 Number of Shares	4 Shareholders applicable %	5 Net distributable income as reported on federal return (Part 3, Column A, line 18, times Part 5, Column 4**)
(a)					
(b)					
(c)					
(d)					
(e)					
(f)					

6 Resident share of Oklahoma net distributable income (Part 3, Column B, line 18 times Part 5, Column 4**)	7 Nonresident share of Okla. net distributable income (Part 3, Column B, line 18 times Part 5, Column 4**)	8 If nonresident agreement (Form 512-SA) is NOT attached, check box and enter the amount shown in column 7. The S corporation will be taxed on the income reported in this column.	9 Shareholder's portion of Oklahoma credit or withholding	10 Withholding or type of credit
(a)		<input type="checkbox"/>		
(b)		<input type="checkbox"/>		
(c)		<input type="checkbox"/>		
(d)		<input type="checkbox"/>		
(e)		<input type="checkbox"/>		
(f)		<input type="checkbox"/>		

Total: Nonresident share of income to tax (add amounts shown in column 8). Enter here and on Page 1, Part 1, line 1a

**\*\*NOTE:** The amount shown in Part 3, Column B, line 18, Oklahoma net distributable income, may not be the amount to be entered on the shareholder's Oklahoma income tax return. This amount includes all allowable shareholder's income, losses, and deductions. Some of these items may be limited on the Federal return. If these items are allowed in full or part on your Federal income tax return, they will be allowed to the same extent on your Oklahoma return.

**Enclose a copy of your federal return.**

1. Kind of Business: \_\_\_\_\_
2. Is this return on cash or accrual basis? \_\_\_\_\_
3. Name of Business (if different from that of corporation): \_\_\_\_\_
4. Corporation books are kept by: \_\_\_\_\_
5. Address at which books are kept: \_\_\_\_\_
6. Date business began in Oklahoma: \_\_\_\_\_
7. Did you make a return of information on Oklahoma Forms 500, 500-A or 500-B for the calendar year 2006?  
*(The Forms 500/500-A may be filed in lieu of the Federal Form 1099)*  yes  no  
*(The Form 500-B is filed when there is a distribution to a nonresident shareholder)*
8. Were you notified this year of a change in your Federal taxable income for prior year(s)?  yes  no  
 If you answered "yes" to #8, please list the year(s) here: \_\_\_\_\_
9. Did you file amended returns for the years stated above?  yes  no

TAX YEAR 2006

FORM **512-SA**

# NONRESIDENT SHAREHOLDER AGREEMENT

I, \_\_\_\_\_, the undersigned, do agree that I will file an Oklahoma Income Tax Return for the taxable year ending \_\_\_\_\_, and I will include, in Oklahoma adjusted gross income, my share of distributed or undistributed taxable income or net operating loss of the corporation named below to the extent that such income, gain or loss, is at the corporate level, derived from sources within Oklahoma. I further state that I made and executed this agreement for the purpose of filing it with the following named corporation to be submitted with the Oklahoma Small Business Corporation Income Tax Return, Form 512-S, filed by the corporation for the taxable year indicated above.

Corporation \_\_\_\_\_

Street Address or Post Office Box \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Federal Identification Number \_\_\_\_\_

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature of Shareholder Executing Agreement

\_\_\_\_\_  
Social Security Number  
or Federal Identification Number

## CORPORATION PLEASE NOTE:

This agreement must be filed with the original Small Business Corporation Income Tax Return, Form 512-S, for each nonresident shareholder. Otherwise, the corporation shall be taxed on that part of the corporation's net taxable income allocable to the shares of stock owned by the nonresident shareholder. Once the agreement has been signed, it is irrevocable for this taxable year.