OKLAHOMA
Tax Commission

2025 Oklahoma Small Business Corporation Income Tax Forms and Instructions

This packet contains:

- Instructions for Completing the Oklahoma Small Business Corporation Income Tax Return Form 512-S
- Small Business Corporation Income Tax Return Form 512-S
- Supplemental Schedule for Form 512-S, Part 5 Form 512-S-SUP
- Nonresident Shareholder Agreement Income Tax Form 512-SA

Filing date:

- Your Oklahoma return is due 30 days after the due date of your federal return.

For assistance:

- See page 14 for methods of contacting the Oklahoma Tax Commission (OTC).

NOTE:

- Pursuant to Rule 710:50-17-1, the Oklahoma Small Business Corporation Income Tax Return **must be filed electronically**.

2025 OKLAHOMA SMALL BUSINESS CORPORATION TAX PACKET

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COMMON ABBREVIATIONS FOUND IN THIS PACKET

FEIN - Federal Employer Identification Number
IRC - Internal Revenue Code
IRS - Internal Revenue Service
NOL - Net Operating Loss
OS - Oklahoma Statutes
OTC - Oklahoma Tax Commission
PTE - Pass-Through Entity
Sec. - Section(s)

HELPFUL HINTS

- Refunds must be made by direct deposit. Failure to supply direct deposit information will delay the processing of the refund.
- Check your FEIN on all forms and schedules.
- The request for your FEIN is authorized by Title 42, Section 405, of the United States Code (U.S.C.). You must **provide** this information. It will be used to establish your identity for tax purposes only. **Important:** If you do not have a FEIN, you may obtain one online at **irs.gov** or by calling **800.829.4933**. If you would prefer to file a paper application, contact the IRS and request Form SS-4.
- Check your calculations carefully.
- Fiscal year dates are a common problem. If you file based on a fiscal year,list the dates on page 1 of the form where indicated.
- **Provide** a complete copy of your federal return, and all required schedules. Failure to do so can slow down the processing of your return.
- When complete, make copies of all the documents for your records.
- Don’t forget to sign your tax returns.
- The OTC is not required to give actual notice to taxpayers of changes in any state tax law.

WHAT'S NEW IN THE 2025 OKLAHOMA 512-S TAX PACKET?

• New lines have been added to report the Oklahoma bonus depreciation. See instructions for details.

• The Credit for Electric Vehicle Charging Taxes was added to Form 511-CR. Form 511-CR can be downloaded from our website at **tax.ok.gov**.

• The New Poll Worker Leave Exemption was added for tax year 2025. See instructions for details.

• A new checkbox has been added to the top of page 1 of Form 512-S to indicate the type of tax year (fiscal year, short year, or 52/53-week year). Omission of this information may cause a significant delay in processing the return, and no interest will accrue on any refund pending.

GENERAL FILING INFORMATION

WHO MUST FILE

All corporations having an election in effect under Subchapter S of the IRC 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 an Oklahoma income tax return on Form 512-S. Do not use Form 512.

A complete copy of the federal return must be provided 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 provided. Failure to provide 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.

TIME AND PLACE FOR FILING

Corporate returns shall be due no later than 30 days after the due date established under the IRC. 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. When the last date for filing any document or performing any act required by the OTC falls on a day when the offices are not open for business, the filing of the document or performance of the act shall be considered timely if it is performed by the end of the next business day.

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 provided 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-C (PTEs use Form 504-PTE).

Electronic filing is required pursuant to Rule 710:50-17-1.

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. A checkbox is provided on page 1 of Form 512-S to indicate the type of tax year (fiscal year, short year, or 52/53-week year). 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

PTEs, (partnerships, S corporations, limited liability companies, or trusts) are required to withhold Oklahoma income tax at a rate of 4.75% of the Oklahoma share of taxable income distributed to each nonresident member (partner, member, shareholder, or beneficiary). A PTE is **not** required to withhold income tax with regard to any nonresident member who submits Form OW-15 Nonresident Member Withholding Exemption Affidavit. 68 OS Sec. 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 IRC Sec. 501(c)(3), insurance companies subject to the Oklahoma Gross Premium Tax and therefore exempt from Oklahoma income tax under 68 OS Sec. 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 PTE, or on any distribution of income not subject to Oklahoma income tax.

WITHHOLDING ON NONRESIDENT MEMBERS (CONTINUED)

The following PTE's are not required to withhold:

- A disregarded entity (an entity not separate from its single owner for federal income tax purposes).
- 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.
- An entity that made the election to become an electing PTE (see "Electing Pass-Through Entity" on pages 6-7 for more information).

DISTRIBUTIONS MADE FROM THE S CORPORATION

S corporations that make distributions subject to Oklahoma withholding must register with the OTC. Register by completing Form OW-11 Registration for Oklahoma Withholding for Nonresident Members. This form may be downloaded from our website at **tax.ok.gov**.

To file and pay the income tax withheld, the S corporation must complete Form WTP-10003 Oklahoma Nonresident Distributed Income Withholding Tax Annual Return. The S corporation will file Form WTP-10003 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. Copies of Form 500-Bs, along with the cover Form 501, must be electronically filed with the OTC by the same date. Each nonresident shareholder must **provide** a copy of the Form 500-B with their Oklahoma income tax return as verification for this withholding.

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 7. A copy of the nonresident shareholder's Form 500-B must be provided with the Form 512-S.

AGRICULTURAL COMMODITY PROCESSING FACILITY EXCLUSION

Owners of agricultural commodity processing facilities may exclude 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 years.

Provide 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, line 13.

OKLAHOMA DEPLETION IN LIEU OF FEDERAL DEPLETION (PART 5)

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 52 OS Sec. 288.2, when computing Oklahoma depletion, shall be limited to 50% of the net income (computed without the allowance for depletion) from each property. If Oklahoma options are exercised, the federal depletion not used due to the 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 **provided**.

Note: For each nonresident shareholder whose income is reported in Part 1, line 1a, the depletion is reported in Part 1, line 1c.

UNDERPAYMENT OF ESTIMATED TAX INTEREST

All S corporations that 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. **Provide** 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.

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AMENDED RETURNS

The Form 512-S is also used for amended returns. If this is an amended return, place an "X" in the box located in the top section of Form 512-S, page 1. Complete Schedule 512-S-X on page 9 of Form 512-S. **Provide** Federal Amended Form 1120-S when applicable. **Overpayments cannot be applied to next year's estimated tax. Line 13 cannot be amended or changed once the original return has been processed.** See 68 OS Sec. 2373 for the statute of limitations for refunds.

When amending Form 512-S for S corporations that are paying tax at the corporate level, enter on line 9 any amount paid with the original return plus any amount paid after it was filed. Enter on line 10 any refund previously received or overpayment applied. 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 IRS

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 IRS adjustments. A copy of the finalized revenue agent report (RAR) must be **provided**.

BANKS AND CREDIT UNIONS

State and national banks and state credit unions that make a federal subchapter S election shall not pay an "In Lieu" tax of 4% per 68 OS Sec. 2370. The income or loss of that entity shall be reported at the shareholder level.

REAL ESTATE INVESTMENT TRUSTS

A real estate investment trust that does not become regularly traded on an established securities market within one year of the date on which it first becomes a real estate investment trust shall be deemed not to have been regularly traded on an established securities market, retroactive to the date it first became a real estate investment trust. An amended return shall be filed reflecting such retroactive designation for any tax year or part year occurring during its initial year of status as a real estate investment trust. For purposes of this paragraph, a real estate investment trust becomes a real estate investment trust on the first day it has met the requirements of IRC Sec. 856 **and** has elected to be treated as a real estate investment trust pursuant to IRC Sec. 856(c)(1). 68 OS Sec. 2358.

LINE BY LINE INSTRUCTIONS FOR DETERMINING OKLAHOMA NET DISTRIBUTABLE INCOME: INCOME TAX

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 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, income from other pass-throughs, 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 20 or Part 4, line 4)

An employer that is eligible for and utilizes the Safety Pays Occupational Safety and Health Administration (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 OSHA Consultation Service upon request.

POLL WORKER LEAVE EXEMPTION

(Part 2, Column B, line 20 or Part 4, line 4)

Beginning with tax year 2025, employers may claim a $100 exemption for each day of paid leave provided to employees who serve as poll workers for a county election board in Oklahoma. Supporting documentation must be retained and provided upon request by the OTC.

QUALIFIED REFINERY PROPERTY

(Part 2, Column B, line 5 or Part 4, line 3)

If the election was made to expense the cost of qualified Oklahoma refinery property placed in service before January 1, 2012, 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 was claimed on the corporate return or allocated to its owners. 68 OS Sec. 2357.204.

COST OF COMPLYING WITH SULFUR REGULATIONS

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. 68 OS Sec. 2357.205.

If You Are the Refinery:

To make the election, **provide** a schedule stating your corporate name and FEIN, 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 FEIN and the owner's name and federal identification number.

If You Are the Owner:

(Part 2, Column B, line 20 or Part 4, line 7)

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

CAPTIVE REAL ESTATE INVESTMENT TRUSTS

(Part 2, Column B, line 5 or Part 4, line 3)

A captive real estate investment trust that is subject to federal income tax is required to add-back the dividends-paid deduction otherwise allowed by federal law in computing net income. 68 OS Sec. 2358.

INDIAN EMPLOYMENT EXCLUSION

(Part 2, Column B, line 20 or Part 4, line 4)

All qualified wages equal to the federal Indian Employment Credit set forth in 26 U.S.C., Sec. 45A, shall be deducted from taxable income. Deduct on the Oklahoma return an amount equal to the reduction of salaries and wages reported on the federal return as a result of the Form 8845, Indian Employment Credit. The deduction allowed shall only be permitted for the tax years in which the federal credit is allowed, even if not used in such year because of tax liability limitations. **Provide** a copy of the federal return, Form 8845, and if applicable, Form 3800.

DEDUCTION FOR QUALIFIED EQUITY INVESTMENTS

(Part 2, Column B, line 20)

Corporations may deduct qualified equity investments in an eligible Oklahoma venture capital company. The deduction may not exceed $25 million by an accredited investor during a taxable year and may not reduce Oklahoma taxable income below zero. 68 OS Sec. 2358.110. **Provide** Form 582-I.

OKLAHOMA BONUS DEPRECIATION ADJUSTMENTS

(68 O.S. Sec. 2358.6a)

Taxpayers may elect 100% Oklahoma bonus depreciation for qualified property and qualified improvement property placed in service during the year. Use the following lines to report the adjustments:

Federal Depreciation Add-Back

(Part 2, Column B, line 6 or Part 4, line 2(a)

Enter the federal depreciation or expensing deduction for the asset in the year it is placed in service and in each subsequent year of the federal recovery period. This add-back prevents duplication with Oklahoma bonus depreciation.

Oklahoma Bonus Depreciation Subtraction

(Part 2, Column B, line 21 or Part 4, line 2(b)

In the year the property is placed in service, enter 100% of the Oklahoma bonus depreciation for qualified property. This subtraction is not allowed if 100% federal bonus depreciation was claimed or if the asset was fully depreciated for Oklahoma in a prior year.

Federal depreciation must be added back in full and Oklahoma bonus depreciation must be subtracted in full. Do not net these amounts.

OKLAHOMA BONUS DEPRECIATION ADJUSTMENTS (CONTINUED)

Note: Oklahoma bonus depreciation adjustments under 68 OS Sec. 2358.6a do not affect the basis used to compute gain or loss. The Oklahoma basis remains the same as the federal basis and add-back adjustments should continue as if the asset were still held. This treatment ensures consistent basis rules and prevents distortion in gain or loss calculations.

ELECTING PASS-THROUGH ENTITY

(68 OS Sec. 2355.1P-1 through 2355.1P-4)

"Electing pass-through entity" means any PTE as defined in 68 OS Sec. 2355.1P-2(6) that has made an election pursuant to 68 OS Sec. 2355.1P-4(F) to pay income tax as computed pursuant to 68 OS Sec. 2358.

Any PTE required to file an Oklahoma partnership income tax return or Oklahoma S corporation income tax return may elect to become an electing PTE by filing Form 586 Pass-Through Entity Election Form. The election to become an electing PTE has priority over and revokes any election to file a composite Oklahoma partnership return or the requirement of a Subchapter S corporation to report and pay tax on behalf of a nonresident shareholder for the same tax year. An election made by one PTE is not binding on any other PTE; each PTE must make its own election.

The election is binding until revoked by the PTE or by the OTC. Form 586 is also used by the PTE to revoke the election. If the amount of tax required to be paid by the PTE pursuant to the provisions of the Pass-Through Entity Tax Equity Act of 2019 is not paid when due, the OTC may revoke the PTE's election effective for the first year for which the tax is not paid.

If You Are the Electing PTE:

Place an "X" in the "electing PTE" box (4) located at the top of Form 512-S, page 1. Use Form 587-PTE Oklahoma Pass-Through Entity Tax Supplement to compute the electing PTE's Oklahoma tax. Each member's distributive share of the PTE's Oklahoma net entity income is multiplied by 4.75% for individual and trust members or 4% for corporate, S corporation, and partnership members—the total of which is the electing PTE's tax. The electing PTE's taxable income and tax are entered on Form 512-S, Part 1, Section One, lines 1, 2b, and 2c.

OKLAHOMA NET ENTITY LOSS

If the PTE election results in a net entity loss for Oklahoma income tax purposes in any tax year, the net entity loss may be carried back and carried forward by the electing PTE for Oklahoma income tax purposes as set forth in 68 OS Sec. 2358(A)(3)(b). The electing PTE's net entity loss, equal to the percentage of ownership reported in each part, is entered on Form 587-PTE, Part 1, line 18 or Part 2, line 18.

If You Are a Member of an Electing PTE:

(Part 2, Column B, line 5 or Part 4, line 7)

If you are a member, either directly or indirectly, of an electing PTE, you may exclude the Oklahoma income (loss) covered by the election pursuant to the provisions of the Pass-Through Entity Tax Equity Act of 2019. Attach a schedule listing the electing PTE, FEIN, federal taxable income (loss), and Oklahoma taxable income (loss) in line 1 that is covered by the election pursuant to this Act. **Provide** a copy of the OTC acknowledgement letter. 68 OS Sec. 2358(A)(11).

If You Want to Become an Electing PTE:

Place an "X" in the "first-year PTE election" box (5) located at the top of Form 512-S, page 1, and **provide** Form 586 with your return. (See the "If You Are the Electing PTE" instructions above for reporting the election.)

PART 2

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

Lines 1-23, 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 Form 1120-S.

Lines 1-23, 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, income from other pass-throughs, or rental. This should be completed using the direct accounting method. S corporations conducting business of a unitary nature do not complete Column B.

Rents and interest expenses paid to a captive real estate investment trust and deducted on your federal return must be added back on Column B, line 5 to compute Oklahoma distributable income. Such add-back is not required if the captive real estate investment trust is subject to the add-back for the dividends-paid deduction. See the "Captive Real Estate Investment Trusts" section on page 6.

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 Schedule K-1 must be provided 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 Form 1120-S, Schedule 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, income from other pass-throughs, 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. **Provide** a schedule of allocation if not reporting a unitary business on Part 4.

Lines 2 and 3
Income (loss) from real and tangible personal property shall be allocated in accordance with the situs of such property.

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 Part 3, line 1.

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 bonds, notes, 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, on behalf of, or for the benefit of Oklahoma educational institutions, cities, towns, counties, or by public trusts of which any of the foregoing is a 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.

Provide a schedule of all municipal interest received by source and amount. If the income is from a mutual fund that invests in state and local government obligations, **provide** documentation from the mutual fund to substantiate the percentage of income derived from obligations exempt from Oklahoma tax.

Note: If the interest is exempt, the capital gain/loss from the sale of the bond may also be exempt. The gain/loss from the 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 provided, accompanied with 1099s showing the amount of interest income and the name of the obligation from which the interest is earned. If the income is from a mutual fund that invests in U.S. Government obligations, **provide** documentation from the mutual fund to substantiate the percentage of income derived from obligations exempt from Oklahoma tax. Interest from entities such as the Federal National Mortgage Association (FNMA) and Government National Mortgage Association (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 Schedule K-1, is to be reported on this line for Oklahoma purposes. **Provide** the following: A description of the property, the date the property was acquired, the date the property was sold, the 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 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.

Generally, the resulting amount is apportioned to Oklahoma based on the three-factor formula. The basis of the apportionment is the average of three factors consisting of property, payroll, and sales. If fewer than three factors are present, the resulting amount is apportioned to Oklahoma on a two-factor or single-factor formula consisting of the arithmetical average of the factors present. A factor is considered present if there is a denominator. 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. 68 OS Sec. 2358.

Line 1
Enter net distributable income from page 5, Part 3, Column A, line 18.

Line 2
See "Bonus Depreciation Adjustments" on page 6 of this packet for reporting instructions.

Line 3
Deductions relating to income that is separately allocable shall not be allowed as apportionable and will be entered here.

Rents and interest expenses paid to a captive real estate investment trust and deducted on your federal return must be added back to compute Oklahoma distributable income. Such add-back is not required if the captive real estate investment trust is subject to the add-back for the dividends-paid deduction; see "Captive Real Estate Investment Trusts" on page 6.

Line 4
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 pass-through income) will be entered here. Gains or losses from the sale of intangible personal property that is directly allocated should also be entered here.

Line 5
Total apportionable income.

Line 6
Apportionment factor from Apportionment Schedule.

Line 7
Income separately allocated to Oklahoma should be entered here (interest income from state obligations or political subdivisions, oil and gas production, mining, farming, rentals, the Oklahoma distributable income from pass-throughs, etc.).

Line 8
Oklahoma net distributable income. Place this figure on page 5, Part 3, Column B, line 18. Then complete Part 5.

PART 5

All S corporations must complete Part 5. Complete Form 512-S-SUP if there are more than two shareholders. Complete as many Form(s) 512-S-SUP as needed to list all shareholders.

If your business is either wholly in 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, addresses, and Social Security Numbers (SSNs) or FEINs of the shareholders, and 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: Except for shareholders of an electing PTE, nonresident shareholders must **provide** a signed Form 512-SA indicating that an income tax form will be filed with Oklahoma reporting their income or loss. This agreement must be provided 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. Each shareholder's SSN or FEIN must be shown for the agreement to be valid.

DEPLETION

Enter each shareholder's allowable depletion. **Provide** a detailed schedule.

CREDITS

Enter and describe each shareholder's portion of credits. **Provide** all forms required to substantiate the credit(s). See the instructions for Part 1, "Oklahoma Credits" on page 11 for more detail on the credits available.

WITHHOLDING

Enter and describe each shareholder's share of Oklahoma withholding. The S corporation must **provide** Form 500-A, Form 500-B, Form 1099-MISC, Federal Schedule K-1 (if separately stated), or other documentation to substantiate any Oklahoma withholding passing through to its shareholders.

Oklahoma income tax is withheld from oil royalties paid to nonresident shareholders. Enter each shareholder's share of such withholding.

The shareholder's pro rata share of Oklahoma withholding should be reported to each partner. Each partner must **provide** documentation with their Oklahoma income tax return to substantiate this withholding.

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 income. Such withholding is not reported here; instead, you should have issued a Form 500-B to your nonresident shareholders.

PART 1, SECTION ONE: INCOME TAX

Part 1 is to be completed:

- By those nonresident shareholders for whom the Nonresident Shareholder Agreement (Form 512-SA) is not provided. The S corporation will be taxed on the non resident's share of income. **Note:** If the nonresident shareholder's income is taxed at the S corporation level, the income is not to be reported by the shareholder on an Oklahoma income tax return.
- By an electing PTE; Form 587-PTE must be completed and provided with your return.
- If claiming the Refundable Credit for Electricity Generated by Zero-Emission Facilities.

Line 1b - Oklahoma Capital Gain Deduction

Taxpayers can deduct qualifying gains receiving capital treatment that are included in federal taxable income. "Qualifying gains receiving capital treatment" means the amount of the net capital gains, as defined under IRC Sec. 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;
2) Be earned on the sale of stock or ownership interest in an Oklahoma headquartered company, limited liability company, or partnership where such stock or ownership interest has been owned, directly or indirectly, by you for at least three uninterrupted years (two for individuals) prior to the date of the sale; or
3) Be earned on the sale of real property, tangible personal property, or intangible personal property located within Oklahoma as part of the sale of all or substantially all of the assets of an Oklahoma company, limited liability company or partnership where such property has been directly or indirectly owned by such entity or owned by the owners of such entity, and used in or derived from such entity for a period of at least three uninterrupted years (two for individuals) prior to the date of the sale.

Line 1b - Oklahoma Capital Gain Deduction (Continued)
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. Form 512-S, Part 1 is for those who did not file a nonresident shareholder agreement (Form 512-SA). **Provide** Form 561-S, a copy of your Federal Schedule D, and Form 8949 or 4797, when applicable.

Line 1c - Nonresident Share of Deductions
Share of Net Operating Loss (NOL) Carryover
Enter the amount of NOL carryover that is attributable to those nonresidents who did not file a nonresident shareholder agreement (Form 512-SA) in the loss year. **Provide** a detailed schedule.

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 52 OS Sec. 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 **provided**.

Line 2a - Nonresident Tax
The income tax rate is 4%.

Lines 2b and 2c - Electing PTE
Enter the tax from Form 587-PTE, Parts 1 and 2.

Recapture of the Oklahoma Affordable Housing Tax Credit
If under IRC Sec. 42, a portion of any federal low-income housing credits taken on a qualified project is required to be recaptured during the first 10 years after a project is placed in service, the taxpayer claiming Oklahoma Affordable Housing Tax Credits with respect to such project shall also be required to recapture a portion of such credits. The amount of Oklahoma Affordable Housing Tax Credits subject to recapture is proportionally equal to the amount of federal low-income housing credits subject to recapture. Add the recaptured credit to the Oklahoma income tax and enter a “1” in the box.

Making an Oklahoma Installment Payment Pursuant to IRC Sec. 965(h)
If a taxpayer elected to make installment payments of tax due pursuant to the provisions of subsection (h) of Section 965 of the IRC, such election may also apply to the payment of Oklahoma income tax, attributable to the income upon which such installment payments are based. Add the installment payment to the Oklahoma income tax and enter a “2” in the box. **Provide** a schedule of the tax computation. 68 OS Sec. 2368(K).

Oklahoma Credits
Provide 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) or for the shareholders of an electing PTE.

Line 3 - Other Credits
The amount of other credits claimed on Form 511-CR 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 below a list of credits available on Form 511-CR. **Provide** Form 511-CR and any applicable forms or schedules.

Tax credits transferred, allocated, or assigned must be reported on Form 569. Failure to file Form 569 will result in the affected credits being denied by the OTC pursuant to 68 OS Sec. 2357.1A-2.

- Credit for Electric Vehicle Charging Tax
  Provide Form 579
  68 O.S. Sec. 6510
- Oklahoma Investment/New Jobs Credit
  Provide Form 506.
  68 OS Sec. 2357.4 and Rule 710:50-15-74.
- Credit for Verified Blood Donation
  68 OS Sec. 2357.406.
- Credit for Investment in a Clean-Burning Motor Fuel Property
  Provide Form 567-A.
  68 OS Sec. 2357.22 and Rule 710:50-15-81.

Line 3 - Other Credits (continued)

- Credit for Qualified Rehabilitation Expenditures
  68 OS Sec. 2357.41 and Rule 710:50-15-108.
- Credit for Electricity Generated by Zero-Emission Facilities
  Provide Form 578
  68 OS Sec. 2357.32A.
- Credit for Strategic Industrial Development Enhancement (SIDE) Projects
  68 OS Sec. 2357.105.
- Credit for Railroad Modernization
  68 OS Sec. 2357.104 and Rule 710:50-15-103.
- Credit for Biomedical Research Contribution
  68 OS Sec. 2357.45 and Rule 710:50-15-113.
- Credits for Employers in the Aerospace Sector
  Provide Form 565.
  68 OS Sec. 2357.301, 2357.302, 2357.303, and Rule 710:50-15-109.
- Credit for Cancer Research Contribution
  68 OS Sec. 2357.45 and Rule 710:50-15-113.
- Oklahoma Capital Investment Board Tax Credit
  74 OS Sec. 5085.7.
- Credit for Contributions to a Scholarship-Granting Organization
  68 OS Sec. 2357.206 and Rule 710:50-15-114.
- Credit for Contributions to an Educational Improvement Grant Organization
  68 OS Sec. 2357.206 and Rule 710:50-15-115.
- Credit for Venture Capital Investment
  Provide Form 518-A or 518-B.
  68 OS Sec. 2357.206 and Rule 710:50-15-114.
- Oklahoma Affordable Housing Tax Credit
  68 OS Sec. 2357.403.
- Credits for Employers in the Vehicle Manufacturing Industry
  Provide Form 585.
  68 OS Sec. 2357.404 and Rule 710:50-15-116.
- Credit for Oklahoma Rural Jobs
  68 OS Sec. 3930-3937.
- Credit for Contributions to an Eligible Public School Foundation or Public School District
  68 OS Sec. 2357.206 and Rule 710:50-15-115.

PART 1, SECTION TWO: CREDITS AND PAYMENTS

Line 7 - Oklahoma Withholding

Enter the portion of Oklahoma withholding that is passing through the S corporation to those nonresident shareholders who did not file a nonresident shareholder agreement (Form 512-SA) or to shareholders of an electing PTE. The shareholder's portion of such withholding is shown on page 8, Part 5, line 10. **Provide** the Form 1099-MISC, Form 500-A, Federal Schedule 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. **Provide** 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 8 - Credit from Form 578
If claiming the **Refundable Credit for Electricity Generated by Zero-Emission Facilities**, **provide** Form 578. Credits earned, but not used, based on electricity generated during the tax year may be refunded to the taxpayer at 85% of the face amount of the credits. A PTE that does not file a claim for a direct refund may allocate the credit to one or more of its shareholders, partners, or members.

Line 9 - Amounts Previously Paid
When filing an amended return, enter any amount(s) paid with the original return plus any amount(s) paid after it was filed.

Line 10 - Refunds or Overpayment Applied
When filing an amended return, enter any refund previously received and/or overpayment previously applied.

PART 1 - SECTION THREE: REFUND

Line 14 - Donations From Your Refund
You may donate from your tax refund to support a variety of Oklahoma organizations. Enter the amount of your donation and place the number of the organization in the box on line 14 of Form 512-S. If you give to more than one organization, put a "99" in the box and **provide** a schedule showing how you would like your donation split.

1 **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 grants to the Oklahoma CASA Association. 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.

2 **Support the Wildlife Diversity Fund**
You may donate from your tax refund to help conserve rare or declining fish and wildlife along with common species not hunted or fished. Donations to the Oklahoma Department of Wildlife Conservation's Wildlife Diversity Program supports field surveys of animals considered to be of greatest conservation need, as well as educational wildlife programs for all Oklahomans. Tax deductible donations to the Wildlife Diversity Fund also can be made at **wildlifedepartment.com** or by mail: Oklahoma Department of Wildlife Conservation, Re: Wildlife Diversity Fund, PO Box 53465, Oklahoma City, OK 73152.

Line 16 - Refund
All refunds must be directly deposited into a bank account. See page 14 "Direct Deposit Information" for details.

PART 1, SECTION FOUR: AMOUNT YOU OWE

Line 18 - Underpayment of Estimated Tax Interest
All S corporations are required to make estimated tax payments if the tax liability is $500 or more. To avoid the 20% Underpayment of Estimated Tax Interest, timely filed estimated tax payments are required to be equal to the smaller of 70% of the current year tax liability **or** 100% of your prior year tax. The tax liability is the tax due less all credits except amounts paid on estimated tax and extension payments.

Place an "X" in the box if the underpayment of estimated tax was computed using the annualized income installment method.

Note: No Underpayment of Estimated Tax Interest shall be imposed if the tax liability shown on the return is less than $1,000. **Provide** Form OW-8-P.

If an **amended return** is filed before the due date for filing the original return, including any extension, the tax shown on the amended return is used to determine the amount of underpayment. If the amended return is filed after the due date, including any extension, the tax shown on the amended return will not be used to compute the amount of underpayment.

Line 19a and 19b - Delinquent Penalty and Interest
To avoid a delinquent penalty charge of 5% for late payment, 90% of the tax liability must be paid by the original due date of the return. Interest at the rate of 1.25% per month shall be paid on the tax due from the original due date until paid. Enter the penalty amount on line 19a, and enter the interest amount on line 19b.

2025 OKLAHOMA SMALL BUSINESS CORPORATION TAX PACKET

WHEN YOU ARE FINISHED

Payments may be made online using OkTAP at **oktap.tax.ok.gov**, by check, or money order payable to the "Oklahoma Tax Commission." For proper account application, **provide** a tax payment voucher (Form EF-V for corporations or Form EF-PTE for electing PTEs) or an estimated tax coupon (Form OW-8-ESC for corporations or Form OW-8-ESPTE for electing PTEs) with your check or money order. Estimated income tax payments should be made separately. **Do not** include a copy of your return with your mailed payment.

Mailed payments should be sent to:

Oklahoma Tax Commission
PO Box 26890
Oklahoma City, OK 73126-0890

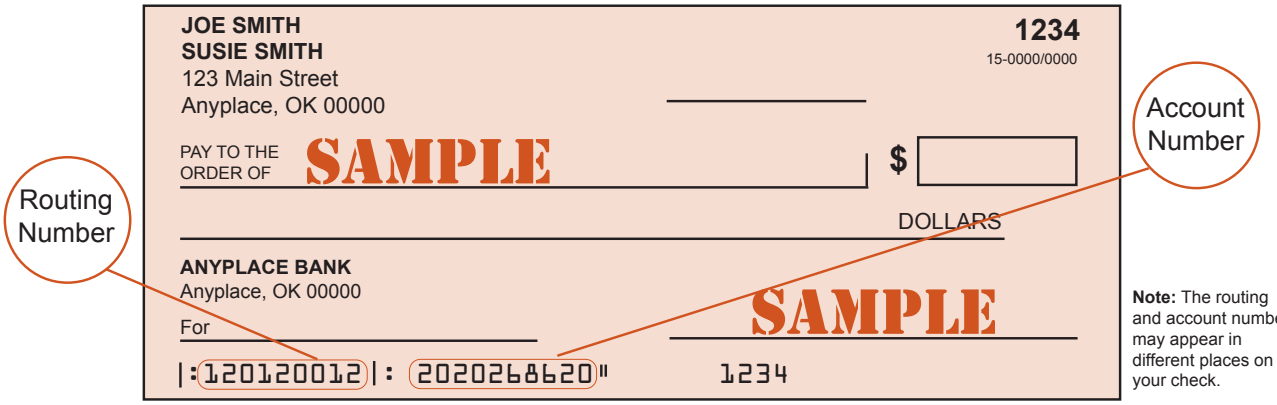
GET YOUR REFUND FASTER. USE DIRECT DEPOSIT -

Complete the direct deposit section on the tax return to have the refund directly deposited into your account at a bank or financial institution. Refunds, with limited exceptions, must be made by direct deposit.

1. Place an "X" in the appropriate box as to whether the refund will be going into a checking or savings account. Keep in mind you will not receive notification of the deposit.
2. Enter your routing number. The routing number must be nine digits. Using the sample check shown below, the routing number is **120120012**. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will fail to process.
3. Enter your account number. The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right. On the sample check shown below, the account number is **2020268620**.

Note: The OTC is not responsible if a financial institution refused a direct deposit. If a direct deposit is refused, a check will be issued to the address shown on the tax return.

WARNING - Due to electronic banking rules, the OTC will **not** allow direct deposits to or through foreign financial institutions. If you use a foreign financial institution, you will be issued a paper check.



THE OKLAHOMA TAX COMMISSION IS JUST ONE CLICK AWAY FOR YOUR CONVENIENCE, 24/7

tax.ok.gov

Location
Oklahoma City: 300 North Broadway Ave.
Monday - Friday, 7:30 a.m. - 4:30 p.m.

Taxpayer Resource Center
Monday - Friday, 7:30 a.m. - 4:30 p.m.
405.521.3160

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