

NEW BUSINESS WORKSHOP



OKLAHOMA
Tax Commission

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The information provided is intended for general informational purposes only and should not be considered legal, accounting, or tax advice. The content should not be relied upon as a substitute for professional advice, nor should it be used as the basis for making financial or tax-related decisions. Tax laws can be complex and may apply differently depending on individual circumstances. For guidance specific to your situation, we recommend consulting with a qualified tax professional.

BUSINESS STRUCTURE AND REGISTRATION

TYPES OF BUSINESS STRUCTURES:

SOLE PROPRIETOR: A business that is owned by a single individual.

PROS

- ✓ Simple to organize
- ✓ Owner makes all decisions
- ✓ Minimum legal restrictions
- ✓ Owner receives all profits
- ✓ Business is easy to discontinue

CONS

- ✗ Owner has unlimited liability
- ✗ May not be able to raise capital

PARTNERSHIP: An association of two or more persons to carry on as co-owners of a business for profit.

- **General Partnership:** Agreeing with one or more individuals to jointly own or share the profits of a business. There is no limit on the number or type of partners (individuals, other partnerships or corporations).
- **Limited Partnership:** Consists of one or more general partners (those who are generally liable for the business) and one or more limited partners (those who have limited liability), and which must file organizing documents with the Secretary of State.

PROS

- ✓ Easy to organize
- ✓ Greater financial strength than sole proprietor
- ✓ Combines skills and judgements
- ✓ Definite legal status
- ✓ Each partner has personal interest
- ✓ Limited liability for limited partners

CONS

- ✗ Unlimited liability for each general partner
- ✗ Decision authority is divided

CORPORATION: As a chartered legal entity

In Oklahoma, a **corporation** is a separate legal entity with rights, privileges, and liabilities distinct from those of an individual. Operating as a corporation may offer tax or financial advantages; however, these benefits may be offset by additional considerations, such as higher licensing costs or reduced personal control. Corporations may be organized for either for-profit or nonprofit purposes.

- **C Corporation:** Income goes to the corporation. Dividends are paid to stockholders.
- **Sub S Corporation:** Income is taxed similar to a partnership. Income and expenses are divided among shareholders who report on individual income tax returns. It can be formed by filing IRS Form 2553 within 75 days of the creation date.

PROS

- ✓ Life of corporation is perpetual
- ✓ Stockholders have limited liability
- ✓ Transfer of ownership is easy (sell stock)
- ✓ Management may be more efficient

CONS

- ✗ Subject to special taxation
- ✗ Costs more to organize
- ✗ Subject to state and federal controls
- ✗ Charter may restrict type of business activities

LIMITED LIABILITY COMPANY (LLC): A hybrid business structure that combines features of corporations and partnerships, offering the advantages of a partnership while providing limited personal liability for its members.

PROS

- ✓ A LLC is organized to qualify for taxation as a:
 - Sole Proprietor = one member
 - Partnership = two or more members
- ✓ No member is liable for debts and liabilities of another LLC member
- ✓ No limitations on what persons or types of entities may be LLC members
- ✓ Perpetual like a corporation
- ✓ One person may qualify for LLC status

CONS

- ✗ Tax and liability benefits vary from state to state
- ✗ May not be used by banking or insurance companies or nonprofit organizations
- ✗ Can elect to be treated as corporation
 - IRS Form 882, Entity Classification Election. Automatic default if not filed.

TAXES PAID BY A BUSINESS

Income Taxes: Taxes paid on net income (after cost of goods and deductions are taken out).

Self-employment Taxes: Social Security tax for self-employed people (FICA tax of 15.3% paid on quarterly Federal Form 1040-ES).

- Sole Proprietor
- Farming
- Partners
- Limited Liability Companies (LLC)

Employment Taxes: Federal and state employee income withholding taxes, federal and state unemployment taxes.

- Income Tax Withholding
 - Federal income withholding tax and Social Security tax are withheld from employee paychecks and paid by employers through bank deposit.
 - State income withholding tax is withheld from employee paychecks and paid by employers to the Oklahoma Tax Commission (OTC).
- Social Security Tax (FICA)
 - Employees pay one-half (7.65% withheld from paychecks)
 - Employers pay one-half (7.65% is a business expense)
- Unemployment Tax
 - Employers pay all of this tax quarterly (business expense)

Excise Taxes: Sales and use taxes on consumed items.

Business Personal Property Taxes: Assessment on furniture, fixtures, machinery, equipment and inventory (mailed by County Assessor) due January 1 through March 15 using OTC Form 901 Business Personal Property Rendition.

- 10% penalty if received after March 15th
- 20% penalty if received after April 15th

Estimated Income Taxes: Quarterly estimated income tax payments may be due on income, see federal and state forms for more information.

- Tax returns are filed annually. Estimated taxes may be paid quarterly.
- Taxes are **paid quarterly** on estimated forms.

ESTIMATED INCOME TAX FORMS REQUIRED

STRUCTURE	FEDERAL FORMS	STATE FORMS
Sole Proprietor	Form 1040 Schedule C	Form 511
Farming	Form 1040 Schedule F	Form 511
Partnership	Form 1065	Form 514
LLC (Sole Proprietor)	Form 1040 Schedule C	Form 511
LLC (Partnership)	Form 1065	Form 514
S- Corporation	Form 1120-S	Form 512-S
C- Corporation	Form 1120	Form 512

Sales Tax Rates: Sales tax is due on the 20th of every month. If a due date falls on a Saturday, Sunday or legal holiday, it is postponed until the next business day. Online filing options are available for many tax types at oktap.tax.ok.gov.

- Sales tax is based on the **point of delivery** (where the buyer receives the item or service).
- Total tax = **state + city + county** and varies by location.
- Applying the **correct rate before the sale** is essential.
- Use the **4-digit COPO code** for each city/county when filing returns to ensure proper revenue allocation.

Who Needs a Sales Tax Permit?

- Businesses selling or reselling taxable goods or services
- Examples: retail stores, restaurants, mobile vendors, resale shops, online sellers, wholesalers, vehicle parking and storage facilities

Why It's Required?

- Must be obtained **before** making taxable sales
- Allows you to legally collect and remit sales tax to the Oklahoma Tax Commission
- Ensures compliance with state and local tax laws

What It Can Be Used For?

- Purchasing inventory **tax-free** when intended for resale

What It Cannot Be Used For?

- Purchasing supplies, fixtures, or equipment used in the business

OKLAHOMA TAX CHECKLIST

Some, but not all, of the state taxes for which a business may be liable are listed below. If a due date falls on a Saturday, Sunday or legal holiday, it is postponed until the next business day. Online filing options are available for many tax types at oktap.tax.ok.gov.

OKLAHOMA TAX CHECKLIST				
IF YOU ARE A:	MAY BE LIABLE FOR:	USE FORM:	ONLINE FILING AVAILABLE?	DUE BY:
Sole Proprietor	Income Tax	511	Yes	15th day of the 4th month after end of tax year
Individual who is a partner or LLC member		514	No	15th day of the 4th month after end of tax year
Corporation		512	Yes	15th day of the 3rd month after end of tax year
S-corporation		512-S	Yes	15th day of the 3rd month after end of tax year
Sole proprietor or S-corp partner, member or shareholder	Estimated Tax	OW-8-ES	Yes	15th day of the 4th, 6th and 9th months, and 15th day of 1st month after end of tax year
Corporation		OW-8-ESC	Yes	15th day of the 4th, 6th and 9th months, and 15th day of 1st month after end of tax year
All business types	State Unemployment Tax (SUTA) to Oklahoma Employment Security Commission	OES-3	No	April 30th, July 31st, October 31st and January 31st
All business types	Information returns for payments to nonemployees and transactions with other persons	Various 1099 (with OTC 501)	No	To the recipient by January 31st and to the OTC by February 28th or due date as shown on Form 501
All business types (if applicable)	Business Taxes: Sales, Use, Mixed Beverage, Tobacco, Waste Tire, Lodging, Vehicle Rental	File online via OkTAP	Yes	20th day of the month following collection unless required to file electronically
All business types (if applicable)	Business Taxes: Motor Fuel	File online via OkTAP	Yes	1st day of each month
All business types (if applicable)	Business Taxes: Beverage, Cigarette, Liquor/Wine/Strong Beer	File online via OkTAP	Yes	10th day of each month
All business types (if applicable)	Business Taxes: Quarterly Wage Withholding	File online via OkTAP	Yes	20th day of the month after each calendar quarter (payments as required by federal schedule)
All business types (if applicable)	Business Taxes: Fuel Importers, IFTA	File online via OkTAP	Yes	30th day of each month after each calendar quarter

FEDERAL TAX CHECKLIST

The federal tax forms listed below are provided for informational purposes only. This list should not be relied upon as the sole source for determining which forms your business must file. The IRS, not the Oklahoma Tax Commission, sets the official filing requirements.

If a due date falls on a Saturday, Sunday or legal holiday, it is postponed until the next business day. A statewide legal holiday delays an IRS due date if the IRS office where you are required to file is located in that state. Certain exceptions may apply to IRS due dates; See IRS Publication 509 for more information.

FEDERAL TAX CHECKLIST			
IF YOU ARE A:	MAY BE LIABLE FOR:	USE FORM:	DUE BY:
Sole Proprietor	Income Tax	Schedule C or C-EZ (Form 1040)	File with Form 1040
Individual who is a partner or S-corp member or shareholder		Schedule E (Form 1040)	15th day of 4th month after end of tax year
Corporation		1120 or 1120-A	15th day of 3rd month after end of tax year
S-corporation		1120-S	15th day of 3rd month after end of tax year
Sole proprietor or individual who is a partner or member	Self-employment Tax	Schedule SE (Form 1040)	File with Form 1040
Sole proprietor or S-corp partner, member or shareholder	Estimated Tax	1040-ES	15th day of the 4th, 6th and 9th months and the 15th day of the 1st month after end of tax year
Corporation		1120-W (worksheet)	15th day of the 4th, 6th and 9th months and the 15th day of the 1st month after end of tax year
Partnership (including LLC)	Annual Return of Income	1065	15th day of the 4th month after end of tax year
All business types	Social Security and Medicare taxes (FICA) and the withholding of income tax from employees	941 (employers quarterly federal tax return)	Last day of the month at the end of each quarter
		8109 to make deposits	Use Form 941 to determine if you are required to pay on a monthly or semi-weekly basis.
All business types	Providing information on Social Security and Medicare taxes (FICA) and the withholding of income tax	W-2 (to employee)	January 31st
		W-2 and W-3 to the Social Security Administration and the IRS	February 28th (29th in a leap year) OR March 31st if remitted online
All business types	Federal unemployment tax (FUTA)	940	April 30th, July 31st, October 31st and January 31st
		8109 or 8109-B to make deposits	Only if liability for unpaid tax is more than \$100.00

FEDERAL TAX CHECKLIST (CONTINUED)

IF YOU ARE A:	MAY BE LIABLE FOR:	USE FORM:	DUE BY:
All business types	Information returns for payments to nonemployees and transactions with other persons	Various 1099 forms	To the recipient by January 31st and to the IRS by February 28th, or March 31st if filing by magnetic media.

SALES TAX EXEMPTIONS

Oklahoma statutes allow exemptions under certain conditions.

- Vendor must determine whether the exemption is authorized.
- Vendor is responsible for collecting tax unless exemption is properly claimed.
- Vendor is trustee and must remit what is collected.
- Vendor will be held liable for tax unless certain proof documents are retained.



Rule of Thumb

Always collect tax due on gross receipts of every sale unless presented with documented proof of exemption.

COMMON SALES TAX EXEMPTION PERMITS

Below are a few examples of possible permit types to be printed on the Sales Tax Exemption Permit.

NOTE: Bracketed numbers reference sections within 68 Oklahoma Statutes unless otherwise noted.

- Sales Tax Permit
- Sales Tax Direct Pay Permit
- Adjudicated Juveniles – Children's Home for [1356(21)]
- Agriculture Exemption [1358; 1358.1]
- Qualified Aircraft Maintenance Facility [1357(20) Amended by SB 1465 (2012) - effective July 1, 2012]
- Boys and Girls Clubs [1356(20)]
- Boy Scouts [1356(9)]
- Cable Television – Licensed Cable Television Operators [1359(9)]
- Campfire Girls [1356(9)]
- Career Technology Student Organization [1356(50)]
- Children's Homes Supported by Churches [1356(27)]
- Churches [1356(7)]
- City/County Trusts and Authorities [1356(1) or 60 OS Sec. 176]
- Collection and Distribution Organization [1357(14.a.1)]
- Community-based Health Centers [1356(22d)]
- Community-based Autonomous Member [1356(57)]
- Community Health Charities [1356(61)]
- County Governments [1356(1)]
- Disabled American Veterans Department of Oklahoma [1356(28)]
- 100% Disabled Veteran [1357(34)]
- Un-remarried Surviving Spouse of 100% Disabled Veteran - Service Related Injuries [1357(34) Amended by SB 46) - effective August 24, 2012]
- Authorized Household Member of 100% Disabled Veteran [1357(34) Amended by HB 3509 - effective May 28, 2014]
- Disadvantaged Children – Cultural Organization for [1356(24)]
- Federal Credit Union – Federal Law 12 U.S.C Sec. 1768
- Federal Governments [1356(1)]
- Federally Qualified Health Care Facility [1356(22a)]
- Federally Recognized Indian Tribes
- Girl Scouts [1356(9)]

- Grand River Dam Authority [1356(10)]
- Independent Nonprofit Biomedical Research Foundation [1357(25)]
- Independent Nonprofit Community Blood Bank – Headquartered in this state [1357(25)]
- Indigent Health – Clinics receiving funds from the Indigent Health Care Revolving Fund [1356(22c)]
- Marine Corps League of Oklahoma [1356(78)]
- Meals on Wheels – Organization which provides prepared meals for home consumption to the elderly or homebound [1357(13a) Text as amended by Laws 2006, 2nd Ex. Sess., C. 44, Sect. 5, eff. July 1, 2007.]
- Metropolitan Area Homeless Service Provider [1356(54)]
- Migrant Health Center [1356(22b)]
- Motion Picture/Television Production Companies [1357(23)]
- Municipal Governments [1356(1)]
- Museums – Accredited by the American Association of Museums [1356(25)]
- National Guard Association of Oklahoma [1356(77)]
- National Volunteer Women's Service Organization [1356(62)]
- Nonprofit Corporation Rural Water District [18 OS Sec. 863]
- Oklahoma Coal Mining Companies [1359(13)]
- Older American – Organizations providing nutrition programs for the care and benefit of elderly persons [1357(13b) Text as amended by Laws 2006, 2nd Ex. Sess., C. 44, Sect. 5, eff. July 1, 2007.]
- Organizations operating as collaborative community agencies in one location [1356(76)]
- Private Schools Elementary/Secondary [1356(11)]
- Private Schools Higher Education [1356(11)]
- PTA/PTO Organizations [1356(13a.6)]
- Public Nonprofit Rural Water District [1356(10); 82 OS Sec. 1324.3]
- Public Schools [1356(13a.1)]
- Qualified Neighborhood Watch Organization [1356(53)]
- Radio/Television – Licensed Radio/Television Station for Broadcasting [1359(8)]
- Rural Electric Coops [18 OS Sec. 437.25]
- State Governments [1356(1)]
- Veterans of Foreign Wars of the United States, Oklahoma Chapters [1356(64)]
- Volunteer Fire Department [1356.1 - 1356(17)]
- YMCA/YWCA [1356(63)]
- Youth Camps – Supported or Sponsored by Churches [1356(29)]

SALES TAX EXEMPTION EXAMPLES


OKLAHOMA
Tax Commission

THE CHURCH
 2501 N LINCOLN BLVD
 OKLAHOMA CITY OK 73194-0001

Date Issued: July 9, 2021
 Letter ID: L1001904448
 Taxpayer ID: **-***2145

ADM

Oklahoma Exemption Permit

Church

Non-Transferable

Permit Number

EXM-15741427-02


68 Oklahoma Statutes Section 1356(7): Sales of tangible personal property to or by churches, except sales made for profit or savings, competing with other persons engaged in a same/similar business.

Business Location	Industry Code	City Code	Permit Effective	Permit Expires
CHURCH INC. 2501 N LINCOLN BLVD OKC OK 73194-0001	813110	5521	February 03, 2021	NON-EXPIRING


100% Disabled Veteran Sales Tax Exemption Examples

100% Disabled Veteran Sales Tax Exemption permits are non-expiring; Therefore, any of the card formats pictured are valid.


DISABLED VETERAN CARD

	OKLAHOMA Tax Commission	100% DISABLED VETERANS SALES TAX EXEMPTION
Exemption Number	Effective Date	
EXM-XXXXXXXX-XX	February 21, 2022	
JOE VETERAN 2501 N. LINCOLN BLVD. OKLAHOMA CITY, OK 73194-0000		

DAV SURVIVING SPOUSE CARD

	OKLAHOMA Tax Commission	100% DISABLED VETERANS SALES TAX EXEMPTION
Exemption Number	Effective Date	
EXM-XXXXXXXX-XX	July 1, 2005	
JANE VETERAN 2501 N. LINCOLN BLVD. OKLAHOMA CITY, OK 73194-0000 SPOUSE		


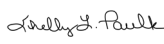

DAV HOUSEHOLD MEMBER CARD

	OKLAHOMA Tax Commission	100% DISABLED VETERANS SALES TAX EXEMPTION
Exemption Number	Effective Date	
EXM-XXXXXXXX-XX	September 16, 2014	
For Use by DAV Household Member JOHN DOE 2501 N. LINCOLN BLVD. OKLAHOMA CITY, OK 73194-0000		

Agricultural Exemption Permit Card Example

A farmer or rancher must present this agricultural exemption permit to a vendor to claim a sales tax exemption.

OKLAHOMA TAX COMMISSION		
AGRICULTURE EXEMPTION PERMIT		
ACCOUNT NUMBER	YEAR	EXPIRES
EXM-15740582-06	2021	6/30/2024
JOHN DOE BUSINESS 300 E BROADWAY OKLAHOMA CITY OK 73194-0001		

Notice		
This agriculture exemption card is intended only for the purchase of items used directly on a farm or ranch in the production of agricultural products. Any person who misuses this card shall be subject to penalty in the amount of \$500.00. Title 68, Section 1358.1(G).		
Permit Type: SMX Exempt Sales Tax (No Fuel)		
Oklahoma Tax Commission		
 Chairman	 Vice Chairman	 Secretary-Member

This Vendor Cooperates With the Oklahoma Tax Commission to Verify Purchaser Liability

The Oklahoma Sales Tax Code requires every vendor in this state to collect the appropriate amount of state and local sales taxes as imposed by law.

Vendors are held liable for the collection and remittance of these taxes unless the purchaser timely provides the vendor with documentation that the purchaser is exempt from the payment of sales taxes.

Oklahoma law also provides that, if the Oklahoma Tax Commission finds that a purchaser improperly presents exemption documents or uses the property for a non-exempt purpose, the purchaser shall be liable for the tax and can be assessed a \$500 fine. If this occurs, the Oklahoma Tax Commission may pursue collection from the purchaser and the vendor shall not be held liable for the tax.



REGISTRATION AND APPLICATIONS

REGISTERING YOUR BUSINESS

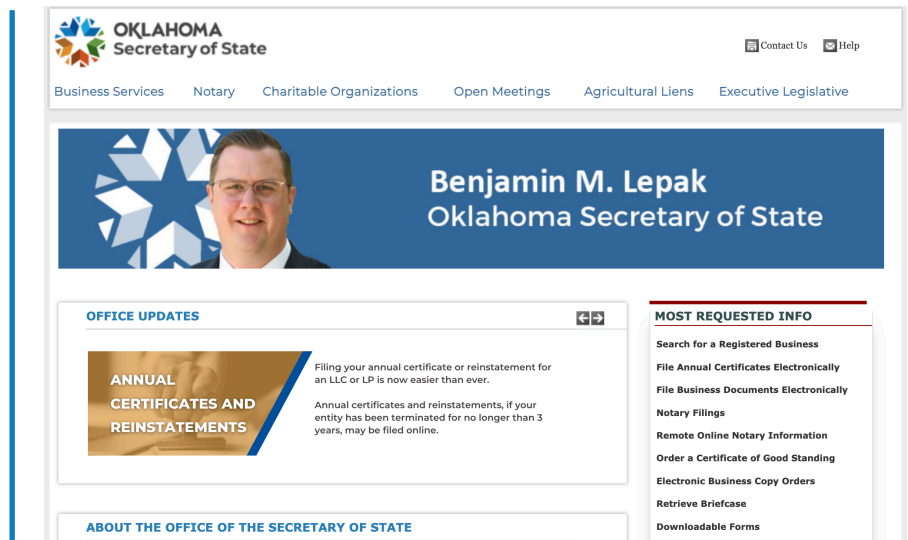
Always get legal advice before filing any business structure or before making any change to your existing entity. If you decide to structure your business as a corporation or LLC, you must register your business with the Secretary of State.

OKLAHOMA SECRETARY OF STATE:

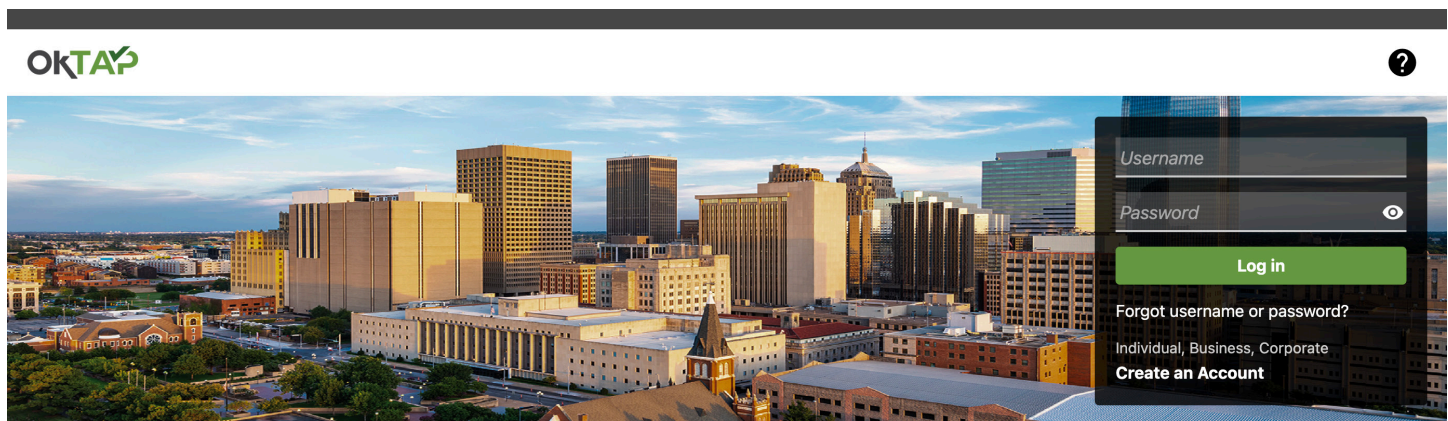
421 NW 13th Street, Suite 210
Oklahoma City, OK 73103

405.521.3991


[SOS.OK.GOV](https://sos.ok.gov)



Next you will complete your registration with the Oklahoma Tax Commission on OkTAP at oktap.tax.ok.gov.




[Search our online services](#)




I Want To

- [Make a Payment](#)
- [Submit Documentation](#)
- [Access Power of Attorney Portal](#)



Parental Choice Tax Credit

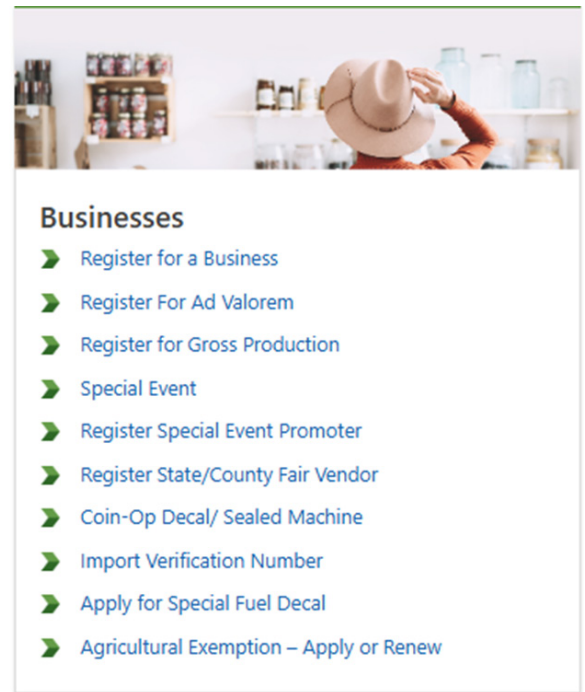
- [Parental Choice Tax Credit School Registration](#)
- [Parental Choice Tax Credit Information](#)
- [Parental Choice Tax Credit Taxpayer Application](#)





Individuals

- [Where's My Refund?](#)
- [Verify My Identity](#)
- [OTC 1099-G Tax Documents](#)

On the left-hand side of the screen, under the **Businesses** section, you will find options to register a business.



For a business, select the top choice:



[Home](#)

Business Registration warning message
Direct wine shippers need to complete the New Business registration, Not the Remote Seller application.

I Want To

Business Registration	
Remote Seller Registration	
Register SGO	Application as a Scholarship-Granting Organization (SGO)
Register PSF	Application as a Public School Foundation (PSF)
Register PSD	Application as a Public School District (PSD)
Register EIGO	Application as an Educational Improvement Grant Organization (EIGO)

Cancel

Then begin the questionnaire:

The screenshot shows the 'New Business Registration' page on the OKTAX website. The page has a green header with the OKTAX logo and a question mark icon. Below the header, there is a breadcrumb trail '< I Want To' and the title 'New Business Registration'. A progress bar indicates the current step is 'Reason'. The main content area is divided into two columns. The left column contains two sections: 'Remote Seller' and 'Direct Wine Shipper'. The 'Remote Seller' section includes a definition of a remote seller and a question 'Are you a remote seller?' with 'Yes' and 'No' buttons. The 'Direct Wine Shipper' section includes a definition of a direct wine shipper and a question 'Are you a direct wine shipper?' with 'Yes' and 'No' buttons. The right column contains a section titled 'I am filling out this application because I want to...' with a red exclamation mark icon. This section includes a warning to carefully read the options and select the one that led to the application. Below this are four toggle switches: 'Register or add a new sales/use/wholesale tax permit', 'ONLY register a new withholding account', 'Add new location to an existing sales tax account', and 'Respond to a withholding letter'. All four toggle switches are currently turned on. At the bottom of the right column, there is a checkbox with a checkmark and text: 'If you are a new sales tax applicant and have multiple locations, please only submit 1 location initially. You will receive a confirmation email with your STS number, you may add the additional locations the day after receiving the email. The reason for application will be "Add a new location to existing sales tax account."' The bottom of the page features a 'Cancel' button on the left and 'Previous' and 'Next' buttons on the right.

OKTAX

< I Want To

New Business Registration

New Business Registration

Reason

Remote Seller

A remote seller is a business enterprise that sells tangible goods into Oklahoma that does **NOT** have a retail store, warehouse, inventory, or a presence of traveling salespeople or representatives within the State of Oklahoma. Remote sellers ship using a common carrier directly to residents of Oklahoma; this includes, but not limited to: internet sellers that reside outside of Oklahoma and companies effected by the 2018 Wayfair ruling.

Are you a remote seller?

Direct Wine Shipper

Do you have a license from the Oklahoma ABLE Commission to ship wine directly to consumers?

Are you a direct wine shipper?

I am filling out this application because I want to...

Carefully read the options below and select the one that led you to the Oklahoma Business Registration Application.

☐ Register or add a new sales/use/wholesale tax permit

☐ ONLY register a new withholding account

☐ Add new location to an existing sales tax account

☐ Respond to a withholding letter

☒ If you are a new sales tax applicant and have multiple locations, please only submit 1 location initially. You will receive a confirmation email with your STS number, you may add the additional locations the day after receiving the email. The reason for application will be "Add a new location to existing sales tax account."

Once complete, you will receive a confirmation email with your registration details.

BUSINESS TAX ACCOUNTS

COMMON TAX TYPES YOUR BUSINESS MIGHT NEED:

- **STS** – Sales Tax – collected on the sale of tangible products or taxable services.
- **ATG** – Mixed Beverage – applied to alcoholic beverages (including beer and wine) sold for on premise consumption
- **MMJ** – Medical Marijuana – for dispensaries selling medical marijuana products.
- **WTH** – Wage Withholding – state income tax withheld from employees' paychecks
- **STH** – Lodging Tax – collected by hotels, motels, short-term rentals (e.g. Airbnb or VRBO hosts), cottage camps, and similar lodging providers
- **COP** – Coin-Operated Device – decal purchases for coin-operated machines
- **STW** – Waste Tire – a recycling and disposal fee charged on the sale of tires
- **SCU** – Consumer Use – paid on taxable goods used in business operations (when sales tax was not paid at the time of purchase)

BOOKKEEPING AND RECORDS

As a business owner/operator in the state of Oklahoma, you are required to keep records of your business transactions and operations.

- Track overhead amounts
- List business costs
- Source for future planning

WHAT BOOKS SHOULD YOU KEEP?

Business Bank Account

- Balance each month
- Keep checks and statements for three years
- Never write checks to cash unless it's for personal draw
- Pay any partial business/personal expense from a personal account; Adding expenses from ledgers is easier than paying from a business account and deducting for personal use.

Income Ledger

Record income in two steps:

1. At time of sale with cash receipts, cash register tape and invoices
2. Document in income ledger at a later time

Expense Ledger

Record expenses in two steps:

1. Checkbook stub
2. Document in expense ledger at a later time

Petty Cash Ledger

- Pay small incidental expenses
- Write check to petty cash to put money in
- Break down expenses in expense ledger

Note

Lack of adequate financial records is cause for most business failures.

Businesses don't plan to fail; businesses fail to plan.

IMPORTANT

NEVER pay any expenses in cash.

WHAT RECORDS SHOULD YOU KEEP?

If you have employees, you must:

- Obtain a FEIN
- Withhold federal and state payroll taxes
- Pay federal (FUTA) and state (SUTA) unemployment taxes
- Pay and withhold Social Security taxes (FICA)
- Pay workers' compensation insurance

What employee records are you required to keep?



IRS Form W-4



OTC Form OK-W-4 Employee's State Withholding Allowance Certificate

NOTE: Do NOT mail to the Oklahoma Tax Commission.



Payroll record



Form I-9 Employment Eligibility Verification



Form OES-112 Oklahoma New Hire Reporting Form (Oklahoma Employment Security Commission)

COMMON ISSUES IDENTIFIED IN BUSINESS TAX AUDITS:

1. Incomplete or Missing Sales Records

- No point-of-sale (POS) system or inadequate sales records
- Sales records not retained for the required three-year period
- Difficulty reproducing POS reports, Z-tapes, PDF invoices, or paper copies

2. Incomplete or Missing Exemptions Records

- Exemption certificates are available but cannot be tied to specific sales
- Common example: sales marked as exempt for a "cash customer"
- Cash sales cannot be linked to a valid exemption certificate holder

3. Insufficient Purchase Documentation

- Missing purchase invoices for expenses and capital assets
- Acceptable records include vendor-provided PDF or electronic invoices
- Listings in a check register, general ledger, or Excel spreadsheet alone are not sufficient

TAX COMPLIANCE ESSENTIALS

KEY BENEFITS:

- Meeting legal obligations
- Maintaining financial health
- Building credibility with customers and partners
- Securing funding and investor confidence
- Building trust with stakeholders and customers
- Preventing costly issues in the future
- Maximizing available deductions

Bottom Line

Strong tax compliance helps establish a solid foundation for your business's growth and long-term success.

FIELD SERVICES

Field officers are responsible for conducting visits to retail businesses within their assigned counties and zip codes.

PURPOSE

- Support businesses in understanding and meeting tax and revenue requirements
- Verify registrations, licenses, and tax accounts are current
- Walk through sales records and point-of-sale systems together
- Make sure taxes are being collected and reported accurately

GOAL

- Protect public revenue and promote fair business practices

BUSINESS ENGAGEMENT

- Educate owners on obligations
- Provide guidance and answer questions

SALES TAX PROBATIONARY PERIOD

- Initial sales tax permit is **probationary for six months** from the effective date.
- If requirements are met, it **automatically renews for 30 months**; written notice is provided if not renewed.
- A Field Services Officer may conduct a compliance visit to:
 - Verify account information
 - Confirm a permit is required
 - Provide contact information for the assigned field officer

RESOLUTION OPTIONS

PROBATIONARY SALES TAX PERMIT RENEWAL NOTICE

If you receive a notice that OTC intends to deny the renewal of your probationary sales tax permit, address the issue(s) as soon as possible and contact OTC to have your permit reinstated before using it.

COMMON REASONS FOR DENIAL & HOW TO FIX THEM:

- **Delinquent filings or payments**
 - File missing returns and pay balances due.
- **Zero total sales reported**
 - Wholesalers: Report gross sales and exempt sales; amend prior returns to reflect total sales.
 - Not yet operating: Reapply for a permit when the business is ready to open.
- **Business does not qualify for a sales tax permit**
 - Return the permit to OTC if:
 - Your business does not make regular and continuous taxable sales, or
 - Your business activities are solely those of a consumer/user.

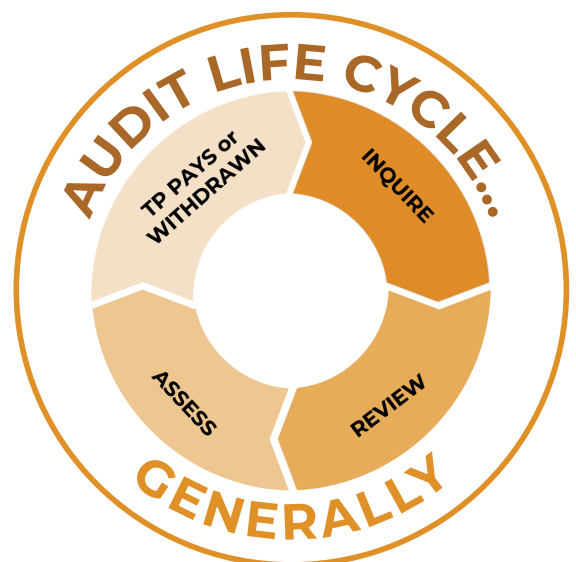
NEW BUSINESS EDUCATION VISIT

Request a **new business education visit** with your assigned field officer for help with:

- Business registration
- Selecting the correct tax accounts
- Understanding Oklahoma tax requirements
- Collecting and remitting taxes
- Setting up online account access
- Filing initial tax returns

WHAT IS A FIELD AUDIT?

- Review all business tax types except income tax
- May go to the business to discuss the audit and review records
- Normally an audit looks at a 36-month period
- Field Audits have more complexity due to records review
- Assessment letters are mailed after completion of audit and closing conference with taxpayer/POA



WHEN DO FIELD AUDITS START?



Is there a current audit?



Has there been a previous audit? What were the results?



Do the officers/members have other businesses? Have there been audits on those businesses? What were the results?



Has tax reporting been consistent? Is the reporting reasonable compared to income tax returns, expected exemptions, the industry etc..



What does their website show about the business?



We can run multiple reports to analyze businesses in every industry code (NAICS code)

COMMON SALES OR USE TAX AUDIT ISSUES

- High exemptions that does not seem normal
- Federal returns with significantly more reported in GR than total of sales tax returns where tangible personal property is sold or rented.
- Federal returns with COGS significantly higher than sales tax returns
- Lack of reporting sales tax or large fluctuations from one period to the next.
- Contractors with a resale permit.

AUDIT PROCESS TIMELINE

- ✓ Audit Selection
- ✓ Audit notification with initial audit forms
- ✓ Opening conference
- ✓ Records request
- ✓ Records review
- ✓ Communicate audit findings at closing conference
- ✓ Educate customer on compliance
- ✓ Assessment
- ✓ Payment or protest

RECORDS REVIEWED

- ✓ Chart of accounts
- ✓ Detailed general ledger
- ✓ Bank statements
- ✓ Federal income tax returns
- ✓ Depreciation schedule
- ✓ Asset invoices-purchases and sales
- ✓ Sales journal
- ✓ Exemption support
- ✓ W-3 transmittals
- ✓ Audited financials

MIXED BEVERAGE AUDITS

COMMON TAX TYPES AUDITED

- Mixed Beverage tax set at 13.5%.
- Sales tax on mixed beverages – State, county and city (if applicable) based on COPO – property location

TYPICAL BUSINESSES AUDITED

- Bars
- Clubs
- Restaurants

AUDIT TYPES

- Liquor Stores- Sales Tax Only
- Field Audits
- Bond Audits

COMMON ISSUES IN MIXED BEVERAGE AUDITS

- Under reported sales vs gross receipts on income tax
- Sales tax not charged on mixed beverages
- Poor or no records to determine sales or mark up.

BOND AUDIT PROCESS

- Business tax gets a request to close the ATG account.
- Auditor reviews accounts and data.
- Audit results are sent back to business tax.
- Depending on the results, the bond may be applied, or arefund may be issued.

RECENT UPDATES IN ATG TAX

- New ABLE Licensing System- April 1, 2022
- To-Go Cocktail Act effective- November 1, 2022
- Officer Assessable ATG Tax- November 1, 2021
- Oklahoma Statutes- Title 37A Alcoholic Beverages
- OTC Rules- Chapter 20 Alcohol and Mixed Beverages

CONTACT US

STILL HAVE QUESTIONS? WE'RE HERE TO HELP.

At the OTC, we take pride in our customer service. We offer several different avenues to help taxpayers in need of assistance.



IN-PERSON

The **Taxpayer Resource Center** is open weekdays, from 7:30 a.m. to 4:30 p.m.

Skip the line and save time by scheduling an appointment online at **tax.ok.gov**.



PHONE

Contact our call center at **405.521.3160** for assistance weekdays, from 7:30 a.m. to 4:30 p.m.

Don't want to wait on hold? You can now save your place in line and choose a specific time to be called back.



ONLINE

Visit **tax.ok.gov** to explore downloadable forms, answers to common questions, online filing options for both income and business taxes and new business videos.

General Inquiries: **taxinquiries@tax.ok.gov**



OKLAHOMA
Tax Commission