

Oklahoma – Franchise tax reinstated

May 1, 2014

UPDATE: S.B. 341, enacted on May 16, 2014, changes the date from which penalties can be imposed on delinquent franchise tax returns to September 15, from September 1.

In brief

Oklahoma reinstates the annual franchise tax, after a three year moratorium, for all corporations organized or doing business in the State. Entities are required to file by July 1, 2014 for the period ending June 30, 2015. All for-profit corporations, including S-corporations organized or doing business in Oklahoma, are subject to the tax. ([Oklahoma Informational Notice](#), April 21, 2014)

In detail

Renewed Oklahoma franchise tax

Oklahoma placed a moratorium on its franchise tax for the periods July 1, 2010 through July 1, 2013 as part of the implementation of the Oklahoma business activity tax for the same period. The Oklahoma franchise tax moratorium expired when the business activity tax was not extended (for a summary of the repeal of the Oklahoma business activity tax, please review our publication, [available here](#)). The franchise tax return for the reporting period beginning July 1, 2014 and ending June 30, 2015 is due by July 1, 2014. However, Oklahoma franchise tax returns and payment filed by September 2, 2014 will not be considered delinquent. A penalty of ten percent plus interest will be assessed if the

franchise tax is not remitted by September 2, 2014. Franchise tax returns due July 1, 2014 shall reflect the corporation's 2013 income tax year balance sheet.

Who is subject to the Oklahoma franchise tax?

While the Oklahoma business activity tax was imposed on corporate, as well as non-corporate entities, the Oklahoma Franchise tax return is imposed only on corporate entities organized or doing business in the State. Other entities including partnerships and limited liability companies, which may have previously had an Oklahoma business activity tax filing requirement, are statutorily exempt from the Oklahoma franchise tax. Additionally, corporations statutorily converted to LLC status by June 30, 2014 should also be exempt from the

Oklahoma franchise tax. All foreign (non-Oklahoma) corporations including non-profits are required to pay the registered agent fee of \$100.00.

Comparison to the "Old" Oklahoma franchise tax

The renewed Oklahoma franchise tax is substantially similar to franchise tax in place prior to the moratorium. This includes the \$20,000 maximum franchise tax per year. As a result, Taxpayers that were filing the franchise tax prior the moratorium may already be familiar with the intricacies of this filing requirement. However, corporations formed after 2010 that are doing business in Oklahoma or have recently started operations in the State may be surprised by this development.

The takeaway

While the renewed Oklahoma franchise tax is substantially similar to the pre-moratorium version, its implementation may come as a surprise to Taxpayers that have not

tracked its progress or have grown accustomed to the Oklahoma business activity tax. Corporate taxpayers organized or doing business in Oklahoma may have experienced changes in circumstances during the

moratorium period and should be prepared to file their Oklahoma franchise tax returns prior to the State's September 1, 2014 delinquency date.

Let's talk

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