


# Oklahoma Tax Commission

## Income Tax Non-Filer and Under-filer Programs



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## Definitions

o **Title 68 Section 2353 – Definitions:**

- Resident – domiciled in the state for seven (7) months of the taxable year. If less than seven (7) months then considered part-year resident.
- Non-Resident – falls outside this aforementioned definition.
- Oklahoma Taxable Income – means taxable income as reported to the federal government, and in the event of adjustments thereto by the federal government as ascertained by the IRS code.\*
- Oklahoma Adjusted Gross Income – means adjusted gross income as reported to the federal government or in the event of adjustments thereby by the federal government as finally ascertained under the IRS code.
- Non-filer – Anyone who is domiciled or not in the state of Oklahoma that has a filing requirement.
- Under-filer – Owes additional tax based upon IRS findings or from other filings like the Oklahoma Employment Securities Administration.

\* - Includes Oklahoma Statutory Allowed Adjustments



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### Just Some Humor



"My piggy bank needs a BAILOUT."

States are looking for ways to close the tax gap and while a bailout is not the answer, our programs will assist in closing the gap, just like at the federal level.

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## Data Warehouse

- In December of 2008 the OTC purchased a Data Warehouse tool initially from Teradata and commenced these projects.
- In December of 2013 the OTC converted to the FAST product.
- We have been able to gather data from various sources and integrate that information with our information from our mainframe system.
- These are some of the sources:
  - IRS tapes
  - Secretary of State
  - Oklahoma Employment Securities Commission
  - Veterans Death File
  - Customs Data
- Planned sources:
  - State Withholding Information if Legislature would approve.
  - Beer/wine/low point beer/spirits
  - Cigarette and Other Tobacco Products.



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## OTC Discovery Programs

### Implemented since 2009 – to Present

- If an entity provides to the State of Oklahoma with a sales tax return – Did that same entity file a corporate return or include a schedule C with their individually filed return? (DP - 2)
  - Review any parent / subsidiary relationships
  - Determine if the entity has nexus with the State of Oklahoma
- If an entity has employees in the State of Oklahoma – Did that entity file a corporate return with the State? (DP - 4)
  - We review OESC data
  - We review Nexus Issues



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## Non-Filer Program (cont'd)

- Source filed a 1099 but the taxpayer or the Corporation did not file a State Tax Return. (DP 3 & 4)
  - We received a download from the IRS with the source data of all 1099's remitted by companies.
  - We validate that the 1099 recipient has filed a state return.
- Federal Adjusted Gross Income Match. (DP-16)
  - If you had filed with the IRS but failed to file with Oklahoma and resided in Oklahoma.



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## Non-Filer Program (cont'd)

- Reviewing the 1098 (Mortgage Interest) to validate if the taxpayer who lives out of state but owns a residence in Oklahoma – Did they file a return with Oklahoma? (DP - 10)
- Those taxpayers that filed a Schedule C did they file a Sales tax return? (DP - 12)
- Entity filed W-2 information with OESC but no return is found in our system (DP - 8)
- Oil and Gas Companies not reporting the sales assets as required. (DP - 24)
  - Validating that the appropriate forms have been filed and if not assessing based on average prior filings.



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## Under-filer Programs

- Federal Adjusted Gross Income Match –
  - Did FAGI match with FAGI claimed on Oklahoma Return (Line 1)? (DP - 1)
- Individual Income Tax Under-filer
  - CP 2000 match (DP - 5)
- Individual Income Tax Revenue Agent Review Findings
  - RAR File (DP - 7)
- Professional and State Employee Validation
  - This can be a non-filer and under-filer program aimed specifically at State Employees and those taxpayers holding a professional license within Oklahoma (DP - 17)
- W2G non-filers and under-filers
  - Validating that the W2G was included or if they had a obligation to file in Oklahoma since the income was from Oklahoma Sources. (DP - 19)

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## Outcome

- Number of lead letters sent - 2014
- Number of leads with payments
- Dollars collected to - date - 2014
- 67,106 letters
- 200,152 payments
- \$53,645,548.58 to date since we started in December 2008

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## 1099 - K

- Our new software
  - We have the capabilities to take large amounts of data and set up tables which is new technology for the OTC.
- How to analyze the data?
  - We have a tool called KXEN and My Search
- How to use the data?
  - We are still researching and looking to other states.
    - Currently we will review totals by taxpayer and validate against what they report as sales.
    - Still trying to find the best method for some industries - primarily cash based industries.
- How is the IRS using this data?

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Very Little Humor but we all understand



Our challenges.

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Thank you and  
ANY QUESTIONS

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