OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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September 19, 2000

Re: Our file Number LR-00-082; Sales tax on sales of activities conducted over the internet.

Dear :

This is in response to your inquiry concerning your company's requirement to collect Oklahoma sales and use taxes. You also wish to know if income derived from the activities conducted over the internet is taxable in Oklahoma. Below I have set out your fact scenario followed by our response.

Fact Scenario

is located in . The location will take orders for the product. Technical services in the creation and support of the product will occur at an out of state location. does not have a property or employees in your state.

The primary product sold by the company consists of the establishment of Web Centers. For an annual fee, a member will be assigned a Website address, the Web Center will be hosted, and the member will have access to certain features provided to customize the Web Center. Features on the Web Center, include templates that simplify the process of establishing the site, links to third party affiliate programs, Web-based personal information management tools (i.e., calendar, address book, schedule, etc.), Web-based email, etc.

After the member signs up, the member may choose to participate in the company's compensation program. The compensation program pays to the member a retail bonus on future Web Center sales associated to the member by use of an ID#. In addition, Override Bonuses may be paid to the member based on downline sales volume related to sign ups that the member has sponsored.

Our Response

Since your company has no property and no employees in Oklahoma, and since the sale of internet access and the sales involved in designing, creating or hosting internet web sites are not subject to sales tax in Oklahoma, your company does not have a sales or use tax responsibility based on the fact situation given above. This response is based on Oklahoma Tax Commission Rule 710:65-19-156. A copy is enclosed.

Based on the information provided, it does not appear that your company has the responsibility to report and remit Oklahoma Franchise or Income tax.

This response applies only to the circumstances set out in your request of April 19, 2000. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

If I can be of further assistance, please feel free to contact me.

Sincerely,
OKLAHOMA TAX COMMISSION

Michael G. Pillow
Tax Policy Analyst