

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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January 9, 2001

Re: Our File Number LR- 00-255; Lease transactions

Dear

Please be advised that the stream/lease payments on lease of motor vehicles which are registered under the International Registration Plan or which are registered as commercial vehicles in Oklahoma are exempt from sales tax as are any other leases of motor vehicles where the original term of the lease is twelve (12) months or more. This exemption may be found at Section 1355 (2) and Section 2103(B) of Title 68 and Commission Rule 710:65-13-31.

For lease transactions regarding rentals and leases of tangible personal property i.e. equipment, please see Commission Rule 710:65-1-11. The statutes or commission rules do not contain a provision for an exemption from sales tax on long term versus short term leases for equipment. Please note Subsection (I) (1), a lease of tangible personal property is a series of transactions in time units defined by the agreement of the parties. Gross receipts generated therefrom are taxable at the rate in effect at the time the payment must be or is made. Therefore, sales tax would be due on the payment that represents the fair market value of the asset per the agreement at the end of the lease.

Enclosed find copies of the Statutes and Commission Rules referenced. If I can be of further assistance, please contact me.

Sincerely,

Brenda J. Sullivan
Tax Policy Analyst

Enclosure

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IT IS OUR MISSION TO SERVE THE PEOPLE OF OKLAHOMA BY PROMOTING TAX COMPLIANCE THROUGH QUALITY SERVICE AND FAIR ADMINISTRATION