

# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
TONY MASTIN, DIRECTOR

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June 14, 2001

Re: Our File Number LR-01-50; Taxability of various services and fees

Dear

This is in response to your inquiry, wherein you asked for an opinion of the status of the items on the list in your correspondence. The transactions enumerated on the list have been scanned into this document below, followed by our response as to their taxability.

**Consulting Services** - provides these services to hospitals and medical centers to evaluate and provide an analysis on how to set up their supply house, storeroom, and/or warehouse for the maximum efficiency.

**Response:** The transaction described above is neither a transfer of title or possession of tangible personal property, nor it is one of the enumerated services for which a sales tax is levied in Oklahoma.

**Employee Outsourcing** - These charges are for providing short-term or long-term temporary employee services, in which the employee is supervised by the customer. The services provided include but are not limited to administration, warehouseman, stock clerk, etc.

**Response:** The transaction described above is neither a transfer of title or possession of tangible personal property, nor is it one of the enumerated services for which a sales tax is levied in Oklahoma.

**Parking** - leases/ rents a portion of their parking lot to a neighboring company.

**Response:** Section 1354 (7) of Title 68 specifically levies a sales tax upon the service of furnishing storage or parking privilege by auto hotels or parking lots.

**Telephone Coverage** - This charge is for the cost of having a person on call 24 hours a day for emergency orders.

**Response:** The transaction described above is neither a transfer of title or possession of tangible personal property, nor is it one of the enumerated services for which a sales tax is levied in Oklahoma.

**Restocking Fees** - These charges are to cover the time and expense in returning goods to resale inventory when the buyer has not used the goods in a way that decreases their value.

**Response:** Restocking charges are taxable, see Commission Rule 710:65-19-89 subsection (b) (amended copy).

**Reserve Inventory Fee-** These are charges bills a customer to maintain a set quantity of items in our inventory, pending the customer's purchases. This is to assure that critical items will be in stock and immediately available for shipping to that customer. The title to this inventory remains in the custody of until it is purchased by the customer.

**Response:** The reserve inventory fee would be considered as part of gross receipt or gross proceed which is defined as "the total amount of consideration for the sale of any tangible personal property or service taxable under Oklahoma Sales Tax Code, whether the consideration is in money or otherwise, but not limited to any amount for which payment is charged, deferred, or otherwise to be made in the future, regardless of the time or manner of payment..."68 O. S. § 1352(7).

**Sales Tracing Fees-**These charges are for compiling data on a customer's purchases from information system and generating various reports. These reports are requested by the customer in order to analyze their spending patterns, and identify items that are not purchased under contract so that they may reduce excess spending. This information is transmitted either electronically or via paper.

**Response:** The service of compiling data on your customer's purchases from information system, generating various reports and transmitting them either electronically or in a printed format is not subject to sales tax. However, if you provide your customer with additional copies in the printed format, the additional copies would be subject to sales tax in Oklahoma. See Commission Rule 710:65-19-46

Please be advised that in the case of the services noted above that are not subject to tax, your company would be classified as the consumer/user and should pay sales or use tax on materials, supplies and equipment purchased for use in performing those services.

Enclosed find copies of statutory reference and commission rules referenced in the above. If I can be of further assistance, please free to write or contact me at (405)521-3133.

Sincerely,

Brenda J. Sullivan  
Tax Policy Analyst

Enclosures