

# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133  
FACSIMILE (405) 522-0063

June 18, 2001

Re: Our File Number LR-01-70; Taxability of software licenses

Dear

Please let this letter serve as written verification that the information relayed in your telephone conversation with a customer service representative of the Oklahoma Tax Commission, Taxpayer Assistance Division, is correct. The transmission of software licenses via the Internet is exempt from sales tax and software delivered in a tangible format is taxable as tangible personal property as provided in the Oklahoma Statutes. Enclosed you will find Commission Rules 710:65-19-52 and 710:65-19-156 and Title 68 O. S. Section 1354 (8), dealing with Internet-related services and transactions and Computer and related systems, further "hardware" and "software" are defined.

Additionally, the transfer of tangible personal property, e.g. user manuals, as a part of the sale of canned software means that the sale of the canned software is not sold "solely" over the internet as required by Oklahoma Tax Commission Rule 710:65-19-156 subsection (c) (2) as it must be in order for the sale to be exempt from sales or use tax. If the user manual, which the customer receives when the software is purchased as a part of the sale, is transmitted via the Internet, the sale is conducted "solely" over the Internet and no sales tax would be applicable.

Therefore, software licenses would not be subject to sales tax when transmitted solely via the Internet. Please refer to the rules cited above.

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

Sincerely,

Brenda J. Sullivan  
Tax Policy Analyst

Enclosures

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