

August 7, 2001

Re: Our file number LR 01-112; Income Tax - Oil and Gas Royalty Withholding

Dear

This is in response to your inquiry of July 31, 2001 wherein you requested guidance concerning income tax withholding on oil and gas royalties. Following is a restatement of your question and our response thereto.

QUESTION:

Does the exception to withholding outlined in 68 O.S. § 2385.26 (B) (4) apply to payments made to individual Indians or payments made to federally recognized Indian tribes?

RESPONSE:

Under 68 O.S. § 2385.26 (B) (4), the exception to the withholding for royalty payments made to Indians applies only to payments made to federally recognized Indian tribes. Payments made to individuals do not qualify as an exception to the withholding requirement.

This response applies only to the circumstances set out in your request of July 31, 2001 and may not be relied upon by any entity other than the addressee. In the event of any change in the facts surrounding the transaction described, this letter ruling would no longer be applicable. You are further advised that subsequent statutory or administrative rule changes or judicial construction of the statutes or rules upon which this advice is based may yield a different result from that which is expressed here.

If I can be of further assistance, please feel free to call me at (405) 521-3133.

Sincerely,

FOR THE OKLAHOMA TAX COMMISSION

Michael C. Kaufmann
Tax Policy Analyst