OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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August 9, 2001

Re: Our file Number LR-01-118; Sales and Use tax due on the sale of memberships and associated items.

Dear

I have scanned your requested rulings into the body of this letter. Each is followed by our response.

RULINGS REQUESTED

I. The "true object" of sale of Club memberships is the sale of an intangible and/or a service rather than the sale of tangible personal property; therefore, membership fee is not subject to sales or use tax, and is deemed to be the consumer of the Club Kits.

Response to I: ***The Oklahoma Tax Commission has a history of not requiring sales tax to be paid on club memberships such as the ones about which you inquire. The clubs which are required to charge tax on memberships have either a facility which may be visited or are ones where the members meet and engage in some form of activity, such as bowling. Therefore we agree that the sale of the memberships is not subject to sales or use tax and that is deemed to be the consumer of the Club Kits.***

II is not subject to use tax on its cost of Club Kits shipped to Oklahoma Club members by common carrier from outside Oklahoma.

Response to II: ***As the consumer of the materials that make up a Club Kit, is subject to a use tax on its cost of the Club Kits shipped to Oklahoma Club Members. Please see Oklahoma Tax Commission Rules 710:65-1-10 and 710:65-21-3.***

III. If is subject to use tax on its cost of Club Kits shipped to Oklahoma Club members by common carrier from outside Oklahoma, then is

entitled to a credit for tax properly paid to the state in which the Club Kits were manufactured, purchased or shipped.

Response to III: ***We agree with this statement. Please see rule 710:65-21-20.***

This response applies only to the circumstances set out in your request of July 17, 2001. 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