

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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October 23, 2001

Re: Our file Number LR-01-159; Sales tax on the sale of copies of medical records and the provision of certain services.

Dear Taxpayer:

This is in response to your inquiry concerning the subject noted above. I have scanned your fact scenarios and your questions into this letter. Our responses follow each question.

Your Fact Scenarios:

Product #1: Release of Information:

We contract directly with hospitals to perform the copying of medical records for all requesting parties, which may include other hospitals, doctors, insurance companies, attorneys, governmental agencies as well as individuals. Our company places a copy machine at each hospital for our use. On predetermined days, company personnel report to the hospital to copy the charts and to invoice and mail the documents to the requesting party. Included on the invoices are the charges for the copying services, handling, and shipping (paid to a common carrier or the US post office).

Product #2: Storage

rents a storage space outside of hospitals & clinics to store all medical records and we charge our customers a monthly storage fee based on size and volume of their records.

Product #3: -Virtual File Room

Where we digitally capture all patient charts into the system, which are stored in a database and charge our customers a monthly fee based on size, volume and number of users.

Product #4: File Management Services

also provides Staffing to support hospitals and clinics with their medical records management. In return, we charge our customers an hourly rate for the work performed.

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Your Questions and our responses:

1. Are the service transactions described above taxable?

Response: *We would define the sale of Product #1 as a sale of printed material and it would be taxable if sold for delivery in Oklahoma. Please refer to Oklahoma Tax Commission Rule 710:65-19-265. The other products appear to involve the provision of non-taxable services, and as such, would not be subject to sales tax in Oklahoma.*

2. If the service transaction is taxable,

- Is the actual postage taxable?

Response: *Separately stated, the cost of postage is not subject to sales tax. Please refer to the rule referenced above.*

- Is the handling taxable?

Response: *If it is separately stated from the cost of the copies of the medical records, the cost of the handling would not be subject to sales tax. Please refer to rule 710:65-19-158.*

3. If the service transaction is not taxable, are the paper costs to generate revenue taxable?

Response: *The items used to provide non-taxable services are taxable to the service provider. Please refer to rule 710:65-19-309.*

4. If the requesting party is located outside your state, is the transaction taxable?

Response: *If the medical records are requested by and sent to a person located outside Oklahoma, no sales tax is due. Please refer to rule 710:65-15-1.*

A copy of our rules may be viewed at our website:

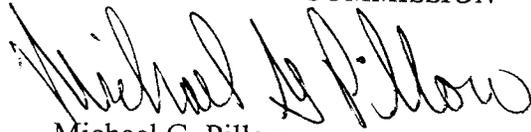
www.oktax.state.ok.us

This response applies only to the circumstances set out in your request of September 28, 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

A handwritten signature in black ink that reads "Michael G. Pillow". The signature is written in a cursive style with a large initial "M" and a distinct "P".

Michael G. Pillow
Tax Policy Analyst