OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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

January 4, 2002

Re: Our file Number LR-01-199; Sales tax on sales made in interstate commerce via an internet site.

Dear

This is in response to your inquiry concerning the subject noted above. I have scanned your fact situations and questions into this letter. Each question is followed by our response.

> "This client's main business operations are providing business consulting and management services and licensing the use of several trademarks. This client did not send any employees or other representatives into your state in 2000, nor did it maintain a physical presence in your state, nor did it own any tangible property located in your state.
>
> This client also operates an Internet Website that offers its logo and various novelty items for sale. These items are shipped into your state via US mail. This client's gross sales shipped to your state that originated through the Internet in 2000 totaled $59.70.

1. Does your state require that this client register to collect and remit sales tax on its Internet sales to your state? If yes, effective as of what date?

Response: Based on the facts presented, your client does not have sufficient physical connection with Oklahoma to require it to register for sales or use tax purposes. Please see Oklahoma Tax Commission rules 710:65-1-8 and 710:65-21-6 which are enclosed.

2. Do the Internet sales that are shipped into your state create nexus for this client with your state for other taxes, such as income taxes?

Response: Shipping goods ordered via the internet in interstate commerce into Oklahoma does not, in itself, create nexus for Oklahoma income tax or franchise tax.

This client also produces a magazine that is sold through the mail, from which its logo and novelty items can be purchased by calling a toll-free phone number that is listed in the magazine

3. If the answer to question #1 on the preceding page is yes, does this client also have to begin collecting and remitting sales tax on the items that are ordered through its magazine's toll-free phone number and shipped into your state?

Response: Based on the facts presented before question # 1, your client is not required to collect sales or use tax on items ordered through the client's magazine and sold via a toll free number, providing the number is not being physically answered and the order taken in Oklahoma.

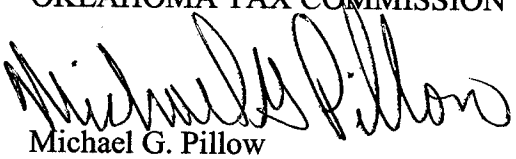
4. Does this client have to collect and remit sales tax on the magazine subscriptions that are shipped into your state?

Response: Sales of newspapers and periodicals, including magazines, are not subject to sale or use tax in Oklahoma. A copy of Oklahoma Tax Commission Rule 710:65-13-190 relating to this exemption is enclosed.

This response applies only to the circumstances set out in your request of October 8, 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