

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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January 14, 2002

Re: Our File Number LR-02-006; Tax status of various transactions

Dear

This is in response to your inquiry concerning the proper tax treatment of the transactions that were listed in your correspondence. I have listed the transactions below, followed by our responses as to their tax status.

#1 Receipts from the sale of dietary Supplements designed for human consumption and purchased over-the-counter without prescription.

Our Response: Dietary and nutritional supplements are subject to sales tax.

#2 Reimbursements to the Company from the company's independent distributors for freight charges paid to a third party (common carrier) for goods and merchandise shipped to the distributors when the freight charges are entered as separate item on the sales invoice and the reimbursement does not exceed actual expense paid to a third party (common carrier). All the merchandises are shipped from the company's warehouses either in the State of New York or California.

Our Response: Shipping and handling charges that result from the shipment of sales merchandise to the distributor or the distributor's customers are not subject to sales tax, if separately stated. Therefore, the reimbursements to the Company from the company's distributors are not taxable.

#3 Receipts from charge for membership that distributors pay for a yearly membership fee. In return for this fee, the distributors (members) are permitted to purchase products from the Company for personal use or for resale.

Our Response: The sale of a membership that entitles distributors to purchase products is not subject to sales or use tax.

#4 Receipts from charge for Internet Services where the Company (seller) hosts a server in the State of New York and creates home page and provides server space for its independent distributors.

Our Response: Charges for a home page on a server are not subject to sales tax.

Please find enclosed Oklahoma Tax Commission Rules which relate to your various transactions. If I can be of further assistance please feel free to contact me.

This response applies only to the circumstances set out in your request of December 19, 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,

Brenda J. Sullivan
Tax Policy Analyst

Enclosures