

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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

March 27, 2002

Re: Our file Number LR-02-027; Sales and Use Tax on Drop Shipments

Dear

This is in response to your inquiry concerning the applicability of sales and use tax to drop shipments into Oklahoma. Your fact pattern is set out below and is followed by your request and our response.

Fact Pattern

Our company is an out-of-state vendor that is licensed to do business in Oklahoma. We have a customer located in a foreign country that purchases merchandise from us and resells the merchandise to their customers in the state of Oklahoma. We ship the merchandise purchased by this customer directly to their Oklahoma customers. Our billing is sent to the foreign customer who bills their own customers accordingly. The foreign customer does not have nexus in Oklahoma and is not registered to do business in Oklahoma.

Your Question

We hereby request a ruling with regard to the tax treatment of the drop shipments made in behalf of our foreign customer. Are we required to collect sales or use tax from this foreign reseller?

Our Response

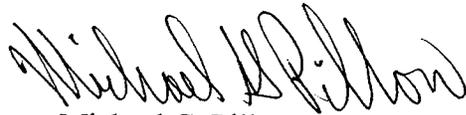
Vendors who are not residents of Oklahoma are not required to hold Oklahoma Sales Tax permits in order to be eligible to make a purchase, exempt from sales tax, as a purchase for resale. To document that the sale is exempt, you should obtain from the foreign vendor a statement that it is not a resident of Oklahoma and that it is making the purchase for the purpose of resale. This response is based on the goods being shipped into Oklahoma from a point outside Oklahoma via common carrier and the goods not being installed in Oklahoma by you, your customer or an agent of either. A copy of

Oklahoma Sales Tax Rule 710:65-13-200, which deals with the exemption for sales for resale is enclosed.

This response applies only to the circumstances set out in your request of March 15, 2002. 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, appearing to read "Michael G. Pillow". The signature is written in a cursive style with a large initial "M".

Michael G. Pillow
Tax Policy Analyst

Enclosure