

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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May 2, 2002

Re: Our File Number LR -02-049; Transactions related to direct selling company

Dear

This is in response to your request for a ruling based on the facts and the questions that you presented in your correspondence regarding your client's direct selling company.

The sales tax treatment of Multi-Level, i.e. network marketing and direct sales is governed by Oklahoma Tax Commission Rule 710:65-19-214 which provides:

710:65-19-214. Multi-level sales

- (a) Vendors operating a multi-level distribution system will collect tax on the gross receipts of the products retail value. This tax is to be passed through the non-permit holder multi-level distributors to consumers/users.
- (b) For example, a vendor who sells to distributors who in turn sells to consumers/users at a home party is required to collect, report and remit sales tax on the total amount of gross receipts received by the vendor's distributors for sales of tangible personal property or taxable services. The distributor will collect the tax from the consumer.
- (c) Shipping and handling charges that result from the shipment of multi-level sales merchandise to the distributor or the distributor's customers are not subject to sales tax, if separately stated.

[Source: Amended at 15 OK Reg 2827, eff 6-25-98]

Therefore, shipping and handling charges are not subject to sales tax, if separately stated and your client is required to remit sales tax on the retail value of the products, which the company has set as the suggested price for both the hostess purchases and the IBO purchases of business supplies.

This response applies only to the circumstances set out in your request of April 17, 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,

Brenda J. Sullivan
Tax Policy Analyst