

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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

June 10, 2002

Re: Our file Number LR-02-087; Sales tax treatment on multi-level sales

Dear

This is in response to your inquiry for a confirmation regarding sales to independent representatives through a "party plan" and the collection of sales tax by the direct sales company.

The sales tax treatment of Multi-Level, i.e. Network marketing 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.

Additionally, Section 1354 (19) of Title 68 specifically levies a sales tax on the sale of tangible personal property sold to persons, peddlers, solicitors, or other salesmen, for resale where there is likelihood that this state will lose tax revenue due to the difficulty of enforcing the provisions of the Oklahoma Sales Tax Code. (See copy enclosed of this section in its entirety).

Therefore, your client, the direct sales company should charge, collect and remit sales tax on all sales at the retail value (including the free products in example 3) made by independent representatives in Oklahoma. This determination is correct notwithstanding the fact that your client, the direct sales company sells to independent representatives at the wholesale level.

This response applies only to the circumstances set out in your request of May 30, 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 contact me.

Sincerely,

Brenda J. Sullivan
Tax Policy Analyst

Enclosure