

June 17, 2002

Re: Our File Number LR-02-089; Taxability of service agreement

Dear

This is in response your request for an interpretation of Oklahoma law as it applies to your company's service agreements. The Oklahoma Tax Commission promulgated Rule 710:65-19-365 and 710:65-19-371 (copies are enclosed), to assist in determining the taxability of maintenance/service agreements. Please refer to the rules listed above for your specific transactions as defined in your sales agreements.

However, on an optional maintenance/service agreement which provides both service and parts at no additional charge to your customers, no tax should be charged to your customer on the purchase of the maintenance/service agreement. Tangible personal property used to fulfill the requirements of the agreement is taxable to the service provider.

If you should have any question or need additional information you may contact me at the above listed number.

Sincerely,

Brenda J. Sullivan  
Tax Policy Analyst

Enclosures