

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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June 27, 2002

Re: Our file Number LR-02-092; Taxability of core charges

Dear

This is in response to your request for a ruling concerning the taxability of core charges. Oklahoma Tax Commission Rule 710:65-19-72 states in part, "No deduction from the gross proceeds of a sale is permitted for any credit allowed by the seller for the value of a core charge, deposit or a trade-in in exchange or part payment and the tax applies to the full selling price. However, the trade-in value of used or trade-in parts for motor vehicle, bus, motorcycle, truck-tractor, trailer, semi-trailer or implement of husbandry, with the exception of tires and batteries, is not subject to tax." A copy of this rule is enclosed in its entirety.

I have listed below your questions as they relate to taxable core charges, followed by our response.

Question #2 In the event of a full refund of a part and its related core charge (i.e., and undamaged return), is the sales tax refunded on the core charge?

Our response: Yes, please see Commission Rule 710:65-19-89.

Question #3 In the event of partial refund of a part (i.e., a prorated battery or damaged return) and its related core charge, is the sales tax refunded on the core charge?

Our response: No refund of sales tax would be made since the original transaction is not being canceled. It was taxable when charged and the fact it may be refunded does not make the original charge non-taxable.

Question #4 In the event of a core charge refund only, is the sales tax refunded? For example, if a customer neglects to bring a core in when purchasing a part but brings it in at a later date and is then refunded for his core, is the sales tax refunded?

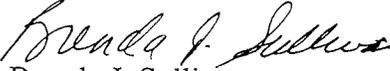
Our response: Same as response #3.

Question #5 In the event of a core exchange, is sales tax refunded on the returned core? For example, if a customer purchases an alternator for \$50 plus a \$15 core charge and returns a core and receives a \$15 credit, is the taxable amount \$65 (i.e., \$50 + 15) or \$50 (i.e., \$50 + \$15 - \$15).

Our Response: Since an alternator core charge is not subject to tax. Sales tax is due on the net selling price of fifty dollars (\$50.00), see subsection (c) (1) of the above rule.

Enclosed find Commission Rules referenced and Oklahoma Statute Title 68 Section 1352 (7). If I can be of further assistance please contact me.

Sincerely


Brenda J. Sullivan
Tax Policy Analyst

Enclosure