

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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July 31, 2002

Re: Our File Number LR-02-112; Sales tax on services provided.

Dear

This is in response to your inquiry concerning the sales taxability of services that your company provides. I have copied your fact situations along with your scenarios and questions and each is followed by our response:

General Situation.

sells a software program for Insurance Companies, which detects billing and coding errors, enforces coding conventions, applies a benchmark for usual and customary fees on medical bills. This product is billed separately from the products below.

Scenarios

1. We provide a service to customers in the form of medical bill processing. Our Company has a medical bill-processing unit on-site in our San Diego office and can provide customers with data entry or data capture (scanning) assistance. Medical bills are entered into our application software, processed, and an "explanation of payment" is transferred to the customer either electronically or in hard copy, depending on their needs

Would the charge for bill processing with the data returned electronically be subject to sales tax?

Response:

No, the charge for bill processing where the data is returned electronically is not subject to sales tax in Oklahoma.

Would the charge for bill processing, with the data returned on hard copy be subject to sales tax?

Response: No, the charge for bill processing where the data is returned on hard copy is not subject to sales tax in Oklahoma. However, tax would be due on charges for multiple copies of the data provided via hard copy.

2. The other product is requesting a taxability determination is called Provider Network. This product supports the medical auditing and bill review software. The provider network product is designed for first party automobile medical bills, and reprices them based on discounts off of billed charges or state fee schedules. The product provides a network of certified professional and facility medical providers specifically focused on auto liability.

Our customer's (an insurance company) access the provider network directory through their website or a directory provided by the provider networks. They then offer their claimants a list of the medical providers from the directory when seeking medical care. The network has providers that are organized for the property and casualty industry and have all agreed by contract to charge certain fees for certain services. The network consists of high quality providers in all 50 states across numerous specialties.

After the medical services are rendered, our client receives an invoice for these services discounted or re-priced based on our network discount. After the medical services are rendered, our customer obtains an extract from our Medical claims software program. This extract, which contains the medical bills processed and cost savings from using the provider network, is sent to our billing department. We bill our customer a percentage of the savings produced from using the provider network (access fee). In turn will send the provider network a percentage of the savings from the medical bills based on a contractual agreement.

Is the access fee charges to our customer subject to sales tax?

Response: No, the access fee charges its customer is not subject to sales tax.

If the extract data is sent to electronically, does this change the taxability status?

Response: No, if the extract data is sent to electronically, the taxability status is not changed.

Does the fee that pays the provider network subject to sales tax?

Response: No, the fee that pays the provider is not subject to sales tax.

3. The third product is our information products which is accessed by our customers through a website called This site contains many pieces of information, functionality, and processes to facilitate and speed up the automobile claims process. Once the customer signs up and is given a password, no CD-ROMs or tangible property is exchanged. The customer accesses the site through an Internet connection and the server containing the information is located in , California. Depending on whether the customer is an insurance company or collision repair customer, they can handle the claims process on-line, create the estimate, send or receive a digital image of the collision damage, upload the information to our portal site, and have the claim accessed by adjusters and or reviewers.

Please let us know whether the charge to our customers for access this website is taxable in the state.

Response: No, the charge to your customers to access the automobile claims process website is not subject to Oklahoma sales tax.

The responses given above are based on Oklahoma Tax Commission Rules 710:65-19-86, 710:65-19-156 and 710-65-19-265. Copies are enclosed.

This response applies only to the circumstances set out in your request of July 1, 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



Michael G. Pillow
Tax Policy Analyst

ENCLOSURES (3)