

# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
TONY MASTIN, DIRECTOR

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



September 23, 2002

Re: Our file number LR 02-127; Income Tax - Nexus for Taxpayer with Oklahoma Franchise Royalties

Dear

This is in response to your inquiry of July 5, 2002 wherein you inquired as to the taxability of an entity that has a franchise in Oklahoma. Following is an outline of the facts presented in your letter, the question posed and our response thereto.

***Facts:***

*Your client has its' location in Nebraska, with all of its' employees in Nebraska. Your client sells franchises and collects monthly royalties from the franchisees. Your client recently sold a franchise in Oklahoma. No employees or representatives of your client have or will be in Oklahoma as a result of this transaction.*

***Question:***

*Are the monthly royalties my client receives from the franchisee in your state taxable to your state?*

***Response:***

*Yes. Under Oklahoma Tax Commission Rule 710:50-17-3 (a)(9), licensing of intangible rights for use in Oklahoma is sufficient to create nexus with the state of Oklahoma. Since nexus has been established, Oklahoma source income is subject to Oklahoma income tax.*

This response applies only to the circumstances set out in your request of July 5, 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 call me at (405) 521-3133.

Sincerely,

FOR THE OKLAHOMA TAX COMMISSION

A handwritten signature in black ink, appearing to read "Michael C. Kaufmann". The signature is written in a cursive style with a long horizontal stroke at the end.

Michael C. Kaufmann  
Tax Policy Analyst