

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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August 14, 2002

Re: Our File Number LR-02-144; Third party drop shipments.

Dear

This is in response to your inquiry concerning the subject referenced above. I have set out your fact situation and issues below. Each issue is followed by our response.

FACTS

The company in question (Company A) manufactures its products in Europe. Company A has a single location in the United States that is outside Oklahoma. It warehouses new products at this location and ships these products via common carrier to customers in various states across the country. Most of A's customers are retailers who resell the products they purchase from Company A.

Company A occasionally is asked by a retailer to drop ship a product into Oklahoma to its customer's home or office. In most cases the retailer will provide Company A with a properly completed resale certificate. Occasionally, however, the retailer is not located in Oklahoma and does not hold a permit to collect sales or use tax from its own customer on this sale. It is in this latter situation that we request guidance on the proper way to treat this transaction for sales and use tax purposes.

ISSUE #1:

Can Company A accept an Oklahoma State Resale Certificate from the retailer for the purchase of the product, using the retailer's out-of-state sales and use tax permit number, in order to exempt the sale?

RESPONSE TO ISSUE #1.

Company A may accept a copy of the retailer's out of state sales tax permit along with the certification that the goods are being purchased for resale and that the retailer is not a resident of Oklahoma. A copy of an Oklahoma Sales Tax Permit is required if the retailer is a resident of Oklahoma. A copy of Oklahoma Tax Commission Rule 710:65-13-200 which deals with sales for resale is enclosed.

ISSUE #2

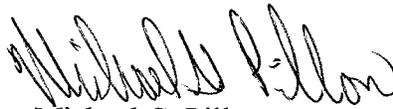
If Company A cannot accept the resale certificate described in Issue #1, is there any other form of evidence that Company A may accept from the retailer to demonstrate before Oklahoma's taxing authority that the sale of the property was indeed an exempt sale for resale?

RESPONSE TO ISSUE #2. PLEASE SEE THE RESPONSE TO ISSUE #1.

This response applies only to the circumstances set out in your request of August 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