



# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
TONY MASTIN, DIRECTOR

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October 10, 2002

Re: Our File Number LR-02-164; Nexus for sales and income tax.

Dear

This is in response to your inquiry concerning whether a client of yours has nexus for sales and income taxes. Your description of the services your client provides is set out below followed by your questions. Our response follows each question.

## **Description of Services**

Our client provides mystery shopping services for major corporations. They do not sell any products or tangible goods, they simply provide services. In addition, all of the mystery shopping services are performed by independent contractors and are paid accordingly. Ohio is the only state in which our client employs personnel. All services in your state are performed by independent contractors. In addition, our client only engages an independent contractor in your state very few times a years, sometimes as few as one time.

## **Your Questions**

1. Does our client have Nexus in your state?

**Response:** They do not have nexus for income tax purposes but would have sufficient connection with the state to be required to register and collect and remit sales or use tax if they were making any sales of tangible personal property in Oklahoma or for use in Oklahoma. The performance of mystery shopping services in Oklahoma is not subject to sales tax.

2. Does the situation change if the headquarters of the corporation that has employed our client is located in that state.

**Response:** If the headquarters of the corporation that has employed your client is located in Oklahoma, your client would have nexus for income tax purposes in Oklahoma. Please refer to Oklahoma Tax Commission Rule 710:50-17-3. The fact that your client would have nexus with Oklahoma if they are making sales in or for use in Oklahoma would not be changed by the circumstance in this question.

3. What filing requirements, if any, does my client have with regards to your state corporate tax?

**Response:** Under the scenario outlined, no corporate income tax return is required. Reporting to independent contractor of Oklahoma income is done via a form 1099.

4. What filing requirements, if any, does my client have with regards to your sales tax.

**Response:** They are required to collect and remit sales tax on any taxable sales of tangible personal property or of taxable services which are made in Oklahoma. They are also required to collect and remit use tax on sales of tangible personal property sold outside Oklahoma for use in Oklahoma.

This response applies only to the circumstances set out in your request of August 27, 2000. 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