

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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October 7, 2002

Re: Our File Number LR-02-170; Tax status of invoiced items for oil
field services

Dear

This is in response to your request for an opinion regarding taxation of various items on the fax invoices that you submitted.

Based on your company's method of invoicing its customer, it appears that the invoices represent a sale of products and services. Based on this invoicing method, your company is operating as a vendor making sales of tangible personal property and should charge, collect and remit sales tax on the total costs billed. In the case where the contract provides that both products and services are to be supplied, to the extent that the services are a part of "gross receipts or gross proceeds", the total consideration for the sale would be taxable, or to the extent the performance is distinct from part of the sale of products, then the labor would not be taxable.

Generally, labor charges for installation, repair or other services are not taxable if the vendor and vendee agree to them separately and they are disclosed as a separate line item on the bill or invoice. The same is for transportation, if the delivery is not part of the consideration for the sale and the charges are separately stated on the invoice, then the charges would not be taxable. Also, refer to Commission Rules OAC 710:65-19-158, 710:65-19-159 and 710:65-19-70.

Therefore, sales tax is due on all the lined items except for the pipe transportation charge, crane truck, per hour (*furnishing equipment with an operator*), state overweight permits, and crew stand-by subsistence.

Conversely, contractors and/or subcontractors are the consumer/users of items purchased to improve real property. They pay tax on the materials used in their contracts and do not charge sales tax a performance contract.

For your information I have enclosed Rules regarding Contractors in Oklahoma and the aforementioned rules. If I can be of further assistance, please contact me.

This response applies only to the circumstances set out in your request of September 13, 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,

Brenda J. Sullivan
Tax Policy Analyst

Enclosures