



OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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

October 29, 2002

Re: Our File Number LR-02-174; Sales tax on the sale of software and software support services.

Dear

This is in response to your inquiry set out below. Our response follows.

Your Inquiry:

We sell semi custom software packages to general aviation businesses all across the country. Although most of the package is standard we do not mass-produce the software, nor do we keep packages as inventory. As a benefit to our customers we offer them yearly renewable support plans for a fee. These support plans entitle the customer to telephone support, as well as free updates during their year's plan. We do not break out the cost of the updates versus the cost of the telephone support. It is offered as one package. If an upgrade to the program is purchased without the purchase of a service plan to anyone in Oklahoma, we charge sales tax based on their location, not on ours. We also offer additional training manuals, which we charge sales tax on. We have several customers in the State of Oklahoma. My question is, do we continue this or has this ruling changed in any way. What, if anything, do we charge sales tax on?

Our Response:

You should charge sales tax to your Oklahoma Customers, or customers that come to Oklahoma and pick up the software, on the sale of the software and also on sales of the software support plans. You are also required to charge sales tax on the sale, in Oklahoma, of the upgrades that are sold separate from the support plans and on sales of training manuals. You are correct in charging sales tax based on your customers address if the orders are taken by telephone, the web or mail. These responses are based on Oklahoma Tax Commission rules 710:65-17-1 and 710:65-19-52. Copies are enclosed.

This response applies only to the circumstances set out in your request of October 2, 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

A handwritten signature in black ink, appearing to read "Michael G. Pillow". The signature is written in a cursive style with a large, stylized initial "M".

Michael G. Pillow
Tax Policy Analyst

Enclosure (2)