

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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

October 14, 2002

Re: Our File Number LR-02-182; Tax Exempt Purchases by a Contractor or Subcontractor

Dear

This is in response to your request for a written determination as to the correctness of the information that was supplied to you by the General Contractor on how to make purchases exempt from sales tax in connection with a project for County Medical Center.

Generally, purchases by contractors and subcontractors are subject to sales tax in Oklahoma. However, the Oklahoma Sales Tax Code contains only three provisions which allow a contractor or a subcontractor to make purchases exempt from sales tax based on the exempt status of another entity. One of the exceptions is pursuant to contracts with certain political subdivisions or agencies of the state in which counties are considered subdivisions. See Section 1356 (10) of Title 68 enclosed.

In the case where a contractor or subcontractor has a contract that falls within the limited exceptions, for the exemption to apply, the contractor or subcontractor must have an agency agreement with the entity, by which they are appointed as purchasing agent to make exempt purchases on behalf of the exempt entity to fulfill their contractual agreement. Please note the additional requirements in Oklahoma Tax Commission Rule 710:65-7-6, copy enclosed, titled "Vendor's responsibility-sales to contractors" describes in detail the requirements needed to establish properly completed documentation.

This response applies only to the circumstances set out in your request of October 7, 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

Enclosure