

October 28, 2002

Re: Our File Number LR-02-185; Sales tax on leases

Dear

This is in response to your inquiry concerning the subject referenced above. Your questions and our responses are:

Question Number 1. Do we have nexus in OK?

Response: As a vendor holding title to tangible personal property in Oklahoma, you have sales and use tax nexus with Oklahoma. Nexus may also exist for income and franchise taxes.

Question Number 2. What type of tax do we file if we do or do not have nexus?

Response: Your company, as a lessor, is required to charge, collect and remit sales tax on the gross proceeds of the stream of lease payments.

Question Number 3. We have two types of leases: true leases and conditional sale. How do we collect tax on a true lease (month to month or upfront on the equipment cost or upfront on the aggregate rental payments) and on a conditional sale (month to month or upfront on the equipment cost or upfront on the aggregate rental payments)?

Response: For both of your company's lease types, sales tax is due on the stream of lease payments as they become due.

These responses are based on Oklahoma Tax Commission Rule 710:65-1-11, A copy of which was earlier emailed to you.

This response applies only to the circumstances set out in your request of October 11, 2001. 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

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