

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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December 11, 2002

RE: Our file number LR-02-201; Taxability of internet services

Dear

This is in response to your request regarding the taxability of your company's internet services. I have scanned your fact scenario and transaction into this document, followed by our response.

(DCS) will soon offer a new product consisting of a purely internet service. DCS currently sells, rents, and services computer equipment. DCS has salesmen; some of whom may live in your state and others who travel into your state to make sales calls on clients and potential clients. DCS also has repair personnel; some of whom may live in your state and others who travel into your state to repair tangible personal property sold by DCS. DCS currently bills and remits the proper sales tax on its taxable sales and services.

DCS requests a written opinion on which it can rely should it be audited on whether the internet sales to clients in your state are subject to your sales or use tax. These are the facts.

- The connection is made over the internet and is available to anyone. No software is downloaded to the computer of the client in your state. The servers to which the clients connect are located in TX.
- DCS will offer three services for its annual fee; **no tangible property is sold:**
 1. The ability to connect to vendor internet sites through the DCS site. The DCS site acts only as a portal.
 2. The ability to create a purchase order that remains on the DCS website that can be viewed by the DCS client and by the chosen vendor to track its progress through the transaction process.

3. The ability to create a purchase order that can be viewed by several vendors on which the vendors will place bids to fill the purchase order.
- The transaction for the sale of goods between the DCS client and its chosen vendor is strictly between those two entities and in no way involves DCS. DCS's only activity is the sale of the service to allow the two entities to contact each other.”

Please be advised that the facts and the transaction described relates to Commission Rule 710:65-19-156 and are not subject to Oklahoma's sales tax. See subsections (a) and (b), a copy of the rule in its entirety is enclosed.

This response applies only to the circumstances set out in your request of October 31, 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