

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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January 16, 2003

Re: Our File Number LR-02-229

Taxability of material shipped into Oklahoma for alterations and/or modifications

Dear

This is in response to your request for a written opinion regarding the taxability of material shipped into Oklahoma for alterations and/or fabrications pending shipment to a final destination outside the State of Oklahoma.

Oklahoma Statutes Title 68 section 1402 provides an exclusion from taxation of "tangible personal property intended solely for use in other states, but which is stored in Oklahoma pending shipment to such other states or which is temporarily retained in Oklahoma for the purpose of fabrication, repair, testing, alteration, maintenance, or other service", copy enclosed. However, the state tax is to be paid at the time of importation and a credit is allowed at the time it is shipped out of state.

Therefore, your customer should pay the state tax at the rate of 4.5% on the purchase price at the time of importation and a credit is allowed at the time it is shipped out of state.

Additionally, Oklahoma sales tax is levied on transactions that occur within Oklahoma. Use tax is levied on a transfer of title or possession of tangible personal property purchased out of state and subsequently brought into Oklahoma for storage, use or consumption pursuant to Title 68, Section 1402 of the Oklahoma Statutes. Accordingly, for sales made from inventory within this state, your business is required to collect Oklahoma sales tax to be reported on its sales tax permit For sales shipped to Oklahoma resident or to a business location, your company would be required to collect Oklahoma use tax to be reported on its use tax permit

This response applies only to the circumstances set out in your request of January 2, 2003. 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



Brenda J. Sullivan

Tax Policy Analyst

Enclosure