OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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March 6, 2003

RE: Our File Number LR-03-040; Proper application of sales tax on sales of

This is in response to your inquiry regarding the collection of sales tax on sales of equipment made by your company wherein you requested our acknowledgement of your company's intention of changing its' method of paying sales tax based on the "sales value" rather than "purchase price".

Please be advised that monitored systems are governed by Tax Commission Rule 710:65-19-4 which states in subsection (c) "persons engaged in the sale or lease and installation of burglar, security, or fire alarm systems are engaged in making sales, the total charge for which is subject to sales tax. Separately stated installation charges are not subject to sales tax."

For the method of sales listed in item number 1, you would be required to charge, collect and remit sales tax on the "gross receipts" or "gross proceeds", the total amount of consideration for the sale of a which includes the devices that are added and the labor service performed on such system, pursuant to 68 O.S. Section 1352 (7), which states in part, "there shall not be any deduction from the gross receipts or gross proceeds on account of cost of the property sold, labor service performed, interest paid, or losses, or any expenses whatsoever, whether or not the tangible personal property sold was produced, constructed, fabricated, processed, or otherwise assembled for or at the request of the consumer as part of the sale." However, as provided in the above, separately stated installation charges are not subject to sales tax. The systems, which are withdrawn from inventory, that are given away, are subject to sales tax on the "sales value".

The same treatment would apply for the sales method listed in number 2. See subsection (b) of the above rule for separately stated charges for monitoring. As for the

sale of equipment based on the cost over the amount paid, sales tax would be due on the mark-up.

Enclosed find the Statute and Commission Rule referenced herein. If I can be of further assistance please contact me.

Sincerely,

Brenda J. Sullivan

Brenda J. Sullivan
Tax Policy Analyst

Enclosures