OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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March 3, 2003

Re: Our File Number LR-03-042; Taxability of labor charges for installation and repair

This is in response to your inquiry regarding the tax treatment for labor charges for installation and repair of central air conditioning/heating units.

Generally, labor charges for installation, repair or other special services are not taxable if the vendor and vendee agree to them separately and they are disclosed as a separate line item on the bill or invoice. See Commission Rules OAC 710:65-19-158 and 710:65-19-159. Conversely, contractors and/or subcontractors are the consumer/users of items purchased to improve real property. They pay tax on the materials used in their contracts and do not charge sales tax on a performance contract.

Consequently, your client would be considered a contractor in Oklahoma. Contractors are defined by statue as consumer/users and "must pay sales tax on all taxable services and tangible personal property, including materials, supplies, and equipment purchased to develop, repair, alter, remodel and improve real property." Persons in the heating, ventilation and air conditioning business is included in the definition of contractor or subcontractor. See Commission Rules 710:65-1-7, 710:65-19-55 and 710:65-19-56.

Enclosed find the Commission Rules referenced above. If I can be of further assistance, please contact me.

This response applies only to the circumstances set out in your request of February 19, 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,

Brenda J. Sullivan

Brenda J. Sullivan
Tax Policy Analyst