

# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
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June 24, 2003

Via email to

Re: Our File Number LR-03-065; Sales tax on maintenance contracts for custom software

Dear Sir or Madam:

This is in response to your inquiry which I have copied into this letter. Our responses follow each question.

1. Is sales tax charged on a maintenance contract for a custom software package at the time of purchase? In addition, is the annual renewal of this maintenance contract taxable thereafter? (this may or may not include patches/upgrades for the custom software)

Response: Charges for maintenance contracts for custom software are not subject to sales tax whether they are charged at the time of purchase or at some later time. This is true whether or not they provide for patches/upgrades, so long as the software remains custom software. A copy of Oklahoma Tax Commission rule 710:65-19-52 that relates to transactions concerning computers and software is attached.

2. Does Oklahoma charge sales tax to its own state and local government agencies?

Response: The State of Oklahoma and its agencies and political sub-divisions are exempt from sales tax. Upon request, a letter will be issued to the unit of government that sets out the exemption. A vendor, in order to be relieved of liability from collecting sales tax, is required to obtain a copy of that letter along with a statement that the purchase is being made by the governmental entity with funds of the entity. Copies of Oklahoma Tax Commission Rules 710:65-7-6 and 710:65-7-15, which deal with this subject are attached.

This response applies only to the circumstances set out in your request of March 27, 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

A handwritten signature in black ink, appearing to read "Michael G. Pillow". The signature is written in a cursive style with a large initial "M" and a long, sweeping underline.

Michael G. Pillow  
Tax Policy Analyst