

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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August 5, 2003

Re: Our File Number LR-03-124: Tax status of lease of long distance telephone capacity

Dear

This is in response to your request for a written opinion as to whether the telephone connection sales to clients are subject to sales tax. I have scanned your fact scenario into this letter, followed by our response.

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

The connection is made with the use of purchased long distance telephone capacity and is available only to our clients; not the general public. purchases the long distance capacity from telecommunications companies such as and itself is not a telecommunications provider. We simply purchase the long distance capacity, pay the appropriate telecommunications taxes to the provider, and charge our clients for using that capacity. The servers to which the clients connect are located in TX. will offer this service for a monthly fee with no tangible personal property bundled with this charge. will occasionally sell tangible personal property in connection with the set up of the service, but understands that sales of tangible personal property are always taxable and will charge the appropriate sales tax.

Your company's purchase of long distance services and the subsequent sale to your clients is taxable as telecommunications services, see Commission Rule 710:65-19-330 (c). However, your company may purchase the telecommunications services exempt from sales tax, see (d) (3)(C) of the above rule. Copy enclosed.

This response applies only to the circumstances set out in your request of July 7, 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