

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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November 7, 2003

Re: Our File Number LR-03-145; Sales tax on purchases by contractors with the federal government.

Dear

This is in response to your inquiry concerning, in your words, "the sales tax collection responsibilities of a supplier of equipment to a contractor who is responsible for installing that equipment on a military installation in Oklahoma".

The answer to your question is dependent upon what type of transactions the "contractor" is entering into with the federal government.

If the "contractor" has a contract to make improvements to real property on a military installation in Oklahoma, the contractor owes sales or use tax, depending on the circumstances of the sale, to the vendor from which it is buying the tangible personal property to be used in making the improvements to the real property. Please refer to Oklahoma Tax Commission rule 710:65-13-131.

If the "contractor" is not improving real property, but instead, is acting as a vendor of tangible personal property, it may purchase the equipment exempt from sales tax as a sale for resale if it holds a valid Oklahoma Sales Tax Permit. It is required to hold a permit from Oklahoma since it has sufficient connection with Oklahoma due to its responsibility for installation of the equipment. The "sale for resale" exemption is covered in Oklahoma Tax Commission Rules 710:65-7-8 and 710:65-13-200.

Copies of the rules mentioned are enclosed.

This response applies only to the circumstances set out in your request of July 17, 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

Michael G. Pillow
Tax Policy Analyst