

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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November 20, 2003

Re: Our File Number LR-03-202; Sales tax credit for bad debts

Dear

This is in response to your inquiry concerning your client's ability to obtain a refund on the unpaid portion of sales tax on any account deemed to be worthless and written off as a bad debt pursuant to Section 166 of the Internal Revenue Code.

As you noted in your letter, the Oklahoma Sales Tax Code contains a provision that allows a vendor to obtain a credit for the sales tax portion of a bad debt. However, Oklahoma Tax Commission Rule 710:65-11-2 makes the credit available only to the person who remitted and reported the tax to the Commission. Furthermore, sales of motor vehicles are exempted from the sales tax in Oklahoma pursuant to 68 O.S. 1355, so no sales tax will have been collected on the purchases of motor vehicles. Instead of sales of motor vehicles being subject to sales tax in Oklahoma, they are subject to a separate motor vehicle excise tax levied by 68 O.S. Section 2103.

This response applies only to the circumstances set out in your request of October 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,
OKLAHOMA TAX COMMISSION

Michael G. Pillow
Tax Policy Analyst