

# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133  
FACSIMILE (405) 522-0063



November 18, 2003

Re: Our File Number LR-03-205; Sales tax exemption documentation

Dear

This is in response to your inquiry concerning the documentation your company should obtain in order to be relieved of liability from charging sales tax on its sales. I have listed your questions below and each is followed by our response. A copy of the Oklahoma Tax Commission Rules, some of which are referenced in our responses, has been mailed to you.

**Question number 1:** Do I need an exemption letter from the Oklahoma Tax Commission if our customer pays with a government (impact) credit card? US Treasury check?

**Response:** It is our understanding that "IMPACT" government credit cards are no longer valid. The cards that are now valid are "Smart Pay" cards. No additional documentation is needed if the card is a card that is "direct billed" to the federal government. Oklahoma Tax Commission Rule 710:65-13-130 details how to determine if the card is a "direct billed" card. Charges made by Smart Pay cards that are not "direct billed" are subject to sales tax since the sales are actually being made to an employee of the federal government and they in turn pay the credit card company and request reimbursement from the federal government. As noted in that rule, your records must show that the purchase was billed to and paid by the government entity. For sales made to the federal government which are not made via a "Smart Pay" credit card, since you will not be paid at the time of the sale with a US Treasury check, to avoid the possibility that you will not be paid by the US government, you should get an exemption letter at the time of the sale.

**Question number 2:** Do I need an exemption letter from the OTC if our customer pays with a check or cash? Even if they claim they are with TAFB?

**Response:** If the customer is paying with a personal check or cash, the sale is not being paid by the US Government and it is not therefore tax exempt. Please refer to the rule referenced above.

**Question number 3:** If a customer has an exemption letter but they pay with a personal credit card or check is the transaction taxable?

**Response:** Yes.

**Question number 4:** If an exemption letter is required, does the customer name on the OTC exemption letter need to match the name on the check? (for example: a squadron or unit must provide an exemption letter from the OTC to us before we can exempt sales tax)

**Response:** Yes, if an exemption letter is required by the rules, the customer name on the OTC exemption letter must match the name on the check since the sale must be to the exempt entity and paid for by the funds of the entity.

**Question number 5:** What if our customer claims to not have a letter and states that they have never been asked to provide a letter at other business establishments?

**Response:** The requirements set out in the rules apply to each business making sales of tangible personal property.

**Question number 6:** Any customer we don't charge tax should provide us with an OTC exemption letter regardless of who they are. (Schools, cities entity, state entity, etc.)

**Response:** Oklahoma Tax Commission rules 710:65-7-6 through 710:65-7-15 detail what documentation is required in order for your firm to be relieved of liability from collecting sales tax. You should get a copy of the exemption letter or card issued to schools, cities and their subdivisions, and state entities in order to be relieved of liability for collecting sales tax. Included in the rulebook that has been sent to you are specific rules concerning sales tax as it related to schools, churches, governmental entities, etc. You might look at the Table of Contents or the index if you have a particular type of purchaser about whom you have a question.

**Question Number 7:** Is there a phone number at the OTC we can direct customer to if they have questions or need to request an exemption letter?

**Response:** The telephone number to the Taxpayer Assistance Division is (405) 521-3160. A copy of the Application for Sales Tax Exemption is enclosed so you may copy it and give to your customers. The form can also be printed from the following web page:

<http://www.oktax.state.ok.us/oktax/btforms/13-16-a.pdf>

This response applies only to the circumstances set out in your request of October 6, 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 cursive script, appearing to read "Tony Mastin".

Tony Mastin, *Director*  
Tax Policy & Research