OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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Re: Our File Number LR-03-286; Request for Informal Opinion - Printer Industry Inquiry

This is in response to your inquiry for assistance in updating your taxability guidelines for the commercial printing industry. I have scanned your fact pattern and questions into this letter, followed by our response.

"Situation 1:

Printer A has a production facility in your state. Customer X contacts Printer A and orders 5,000 copies of a book. The books are not for resale and Customer X is not an exempt entity. Customer X instructs Printer A to produce and ship 2,000 copies of the book to a location in Delaware. Customer X instructs Printer A to store the remaining 3,000 books in your state for later delivery instructions. Printer A invoices Customer X for all 5,000 books, plus shipping related to the 2,000 books shipped to Delaware. Over time (could be months) Customer X contacts Printer A and provides mailing label instructions for books to be shipped throughout the United States. Printer A invoices Customer X a service fee for gathering the books (sometimes a single book per package, sometimes several books per package, sometimes Customer X requests that the books be placed in an orderly fashion in a kit (special carton).), plus shipping charges.

Questions:

1) Are the 3, 000 stored books taxable in your state at the time of sale, even though they may ultimately be shipped to another state for use? Do you have a temporary storage exemption? If yes, does this fact pattern provide for applicability of a temporary storage exemption?

Our Response: Sales tax would be due on the 3000 stored books at the time of the sale, please see Commission Rule 710:65-18-3. Oklahoma Sales Tax is not levied on storage fees.

2) If the books are subject to tax in your state upon storage - what tax rate (state & local) is applicable on the 3,000 stored books when they originally go into storage?