March 25, 2004

VIA email to

Re: Our File Number LR-04-012; Sales tax on drop shipments

Dear :

This is in response to your inquiry concerning the documentation that is necessary to show that you are not required to charge sales tax on a drop shipment.

In your email you state that you are selling to a vendor who in turn is selling to a manufacturer in Oklahoma. You caused the goods to be delivered to the manufacturer in Oklahoma. The vendor is not located in Oklahoma and does not have an Oklahoma sales tax permit.

If you shipped the goods to the manufacturer in Oklahoma, from a point outside Oklahoma, via common carrier, you may accept the vendor's statement that they are making the purchase for resale and that they are in the business of reselling the product they are buying from you and exempt the sale as a sale for resale. In Oklahoma, a resident of Oklahoma must hold an Oklahoma Sales Tax Permit. If the vendor is not a resident, as would be the case if they had no physical connection with Oklahoma and the goods were being shipped into Oklahoma via common carrier from an inventory point outside Oklahoma, the vendor is only required to be engaged in the business of reselling the articles being purchased exempt. You may wish to obtain a copy of their home state sales tax permit or certificate to show that they are in fact a reseller.

Please note that the responses to questions two, three, and four of the survey also provide information concerning when a sale is subject to sales tax in Oklahoma. The rules referenced are on our website at: www.oktax.state.ok.us

This response applies only to the circumstances set out in your request of January 12, 2004. 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