OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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March 22, 2004

Re: Our file Number LR-04-033; Taxability of hostess purchases based on "hostess dollars"

Dear

This is in response to your inquiry regarding your client's direct sales company that markets items exclusively through independent distributors whereby distributors recruit hostesses to hold home parties. You asked if your "client should collect sales tax on the gross amount (entire sales price of items purchased including hostess dollars) or the net amount (entire sales price of items purchased less the hostess dollars) thereby treating the hostess dollars as a trade discount?"

Oklahoma Tax Commission Rule 710:65-1-2 defines "Gross receipts", "gross proceeds", or "sales price" as the total amount of consideration including cash, credit, property, and services, for which personal property or services are sold, leased, or rented;…." "Vendors operating a multi-level distribution system will collect tax on the gross receipts of the retail value of the products sold…." See Commission Rule 710:65-19-214 (a). Therefore, sales tax is due on the sales price of hostess purchases as described in your letter.

This response applies only to the circumstances set out in your request of February 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. Please find enclosed Commission rule referenced above. If I can be of further assistance, please feel free to contact me.

Sincerely,

Brenda J. Sullivan

Brenda J. Sullivan
Tax Policy Analyst

Enclosure