OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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August 27, 2004

Re: Our File Number LR-04-082; Sales tax on provision of web-based products and services.

Dear

This is in response to your inquiry concerning the sales tax implications in Oklahoma from the provision of web-based software products and services. Your fact situation and questions are set out below. Each question is followed by our response.

Your fact situation

The software used by the customer resides on the seller's servers in California and works interactively without downloading any software or data to the customers or end users computer. The software program processes and calculates the customer's raw data and computes the customer's unique result. The data or final computation of the tax return is permanently stored on the seller's server in California. The customer always has access to their data or tax return by logging on to the seller's secured password protected web site. Although the data is permanently stored on the seller's California server, the customer does have the ability to print a hard copy or electronically save a back-up of their data or final tax return on their own computer by utilizing a third-party software product. Also, the seller has the ability to electronically deliver or file the final tax return to a third-party or government agency.

The seller charges their customers for the access and use of the specific web based software program. There is no charge made if the customer electronically saves or prints a back-up copy of their data or tax return. However, there is an additional charge to the customer if the customer chooses to electronically transfer their data or final tax return to a third-party.

Your Questions

1. Given that the seller has nexus with your state and that the seller's customers are located

in your state, are the charges for accessing and using software located on an out of state server subject to sales or use tax in your state?

Response: No.

2. Does the customer's ability to electronically save or print a backup copy of their tax return change your answer?

Response: No.

3. Are the fees associated with electronic delivery of the tax return to a third-party subject to sales or use tax?

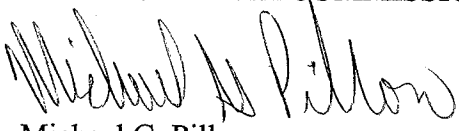
Response: No.

The responses to all three questions are based on Oklahoma Tax Commission Rule 710:65-19-156. A copy is enclosed.

This response applies only to the circumstances set out in your request of April 9, 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



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