September 29, 2004

Re: Our File Number LR-04-152; Sales Tax Responsibilities of a Contractor

Dear

This is in response to your inquiry concerning the sales tax responsibilities of your sole proprietorship that provides "electrical construction services".

In providing electrical construction services, you are acting as a contractor. Contractors are defined in the sales tax code and rules as those persons that improve real property. They are further defined as being the consumer or user of the tangible personal property they use in the improvement of real property. See Oklahoma Tax Commission Rule 710:65-1-7.

As such, they are not to hold sales tax permits. They do not collect sales tax and remit it. They do not make purchases exempt from sales tax, except in narrowly defined circumstances as set out in Oklahoma Tax Commission Rule 710:65-19-56. Instead, they pay sales tax when they purchase materials to be used in the improvements to real property that they make.

If they make purchases from outside Oklahoma, from a vendor that is not required to collect Oklahoma sales or use tax, the contractor is required to accrue and remit Oklahoma and any local use tax on the materials purchased. You can download the forms or pay on line via our website at: www.oktax.state.ok.us

Copies of the rules referenced above are attached.

This response applies only to the circumstances set out in your request of July 5, 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