OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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August 23, 2004

Re: Your letter dated July 29, 2004 concerning diplomatic tax exemption authorization.
Our File Number LR-04-164

Dear

This is in response to your inquiry concerning changes to the Diplomatic Tax Exemption Authorization. Your questions are set out below and each is followed by our response.

- Will your state's current regulations allow a third party (the credit issuer) to request a refund of sales tax?

  No. Presently the statutes and regulations allow only for a credit or refund to be given to the consumer or the vendor. No credit or refund may be given to a third party.

- Does your state impose or collect an occupancy/hotel tax or any other taxes?

  No, there is no state occupancy/hotel tax in Oklahoma.

- Does your Department collect any sales or occupancy taxes imposed by a county or municipal governments?

  Yes. The Oklahoma Tax Commission collects the county sales taxes, ranging from 0.25% up to 2% levied by the 67 counties that have county sales taxes. It also collects the city sales taxes levied by the 499 cities that have passed city sales taxes ranging from 0.25% to 5%. The Commission collects a lodging or occupancy tax for the five counties that voted to impose it. Four of the counties have a lodging tax of 5% and one has a lodging tax of 3%. The Commission does not collect or administer the occupancy taxes imposed by many municipalities in Oklahoma, instead, each city collects its own occupancy tax.

- Does your Department have any concerns with the current scheme proposed for this initiative?

  Besides the concern with not presently having statutory or regulatory authority to make refunds to third parties, the Oklahoma Tax Commission has the following additional concerns:

  1. If the vendor is delinquent, the refund will be made even though the state never receives the money.
  2. If the vendor pays timely, it will receive a discount of the tax due for the timely remittance, but the full amount of the refund will be paid by the state to the third party, resulting in a net loss to the state and its sub-divisions.
  3. The credit card issuer must have the ability to track the tax that is actually charged on the bill in order to accurately credit back those charges. The Oklahoma Tax Commission collects sales taxes for 67 counties and 499 cities. Some mailing addresses show one city while the business is physically located in another city and the taxes that were charged are for that other city. Additionally, the rates may change each quarter.
  4. Not having identification incorporated into the exemption process, as it is with the present ID Card, could lead to the granting of the exemption to unauthorized persons.

If I can be of further assistance, please feel free to contact me.

Sincerely,
OKLAHOMA TAX COMMISSION

Tony Mastin

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Tax Policy and Research Division