OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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November 1, 2004

Re: Our File Number LR-04-200; Sales tax on transactions entered into in connection with the sale of Automated External Defibrillators (AED)

Dear]

This is in response to your inquiry concerning the taxability of eight transaction which occur in connection with the sale of an AED. I have copied your description of each into this letter, followed by your three questions. Our responses follow each question.

Your Description of "Wrap Around Solutions-Services"

'"Wraparounds" are offered in multi-year terms. The wraparounds include the following components:

1. Basic Medical Direction - This service includes the prescription for the AED, ongoing medical oversight of the AED program by a state-licensed board-certified physician, protocols for use of the AED, post-event clinical review by physician and an AED clinical help-line that is available M-F 9-5

2. Training - AED/CPR training for 5 individuals through its Educredit system using its nation-wide training network. The Educredit is a training voucher redeemable for training 1 student in AED/CPR training, and is valid for 1 year. Training consists of a 4-hour course and is usually provided shortly after the purchase date, and refresher training for 5 individuals is included with the 3 and 5-year programs on a biennial basis.

3. Automatic Supply Replenishment for CR+ - automatic replenishment of electrodes/batteries upon use of the device or upon expiration of the supplies.

4. Online Program Management - tracks the details of the AED program, including trained responders and their training expiration dates, location of devices, and expiration dates of supplies. All of this information is available to the customer via a web portal.

5. State registration services - complete any state registration filing needed for the AED program and also pays registration fee if necessary.

6. Post-event download services - Upon use of the AED, a technician will come to the site to download the event data from the AED.

7. Post-event rescuer support - Upon use of the AED, a counselor will come to the site to provide counseling services to the company and help people cope with a potentially stressful event

8. AED clinical related helpline 24 hr - Expands the helpline offered in the basic medical direction to 24/7 coverage from M-F 9-5.'

Based on the above description of the transactions, which "details the services that are included in the Wraparound Solution" you "would like to find out what is the taxability of these solutions when they are billed as:

1. Bundling all services ...together on one line item
2. Individually billing each service listed...
3. All services included with the AED."

Our Responses:

1. If you bundle all the transactions listed in your letter and as set out above, into one line item and charge for that line item, the amount of that charge is subject to sales tax or use tax in Oklahoma, due to the fact that a portion of the price represents the transfer of supplies for the AED for a consideration. If the supplies are shipped into Oklahoma on a common carrier to your customers the charge would be subject to use tax. If they are delivered to the Oklahoma customers from an inventory located in Oklahoma or they are delivered in your own vehicles or by your employees or agents, sales tax would be due.

2. If you individually bill each transaction as a line item on an invoice, only the transaction you have titled "Automatic Supply Replenishment for CR+" would be subject to sales or use tax, since it represents the sale of tangible personal property made via an automatic replenishment of electrodes and batteries. The other transactions are services which are not included in the levy of the sales tax in Oklahoma.

3. If you include all the cost of all the transactions in the selling price of the AED, the entire selling price of the AED is subject to sales or use tax..

These responses are based on Oklahoma Tax Commission Rules 710:65-1-2; 710:65-1-9 and 710:65-19-158. Copies are enclosed.

This response applies only to the circumstances set out in your request of September 23, 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