OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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June 1, 2005

RE: Our File Number LR-04-221.1; Taxability of hostess purchases based on direct selling company i.e. multi-level sales

Dear

This is in response to your request for clarification of our letter dated November 15, 2004 concerning the ruling of the taxability of your client's "award product certificate" for its advisors. Please be advised that all transactions related to multi-level sales including special credits or discounts to distributors or advisors fall within the guidelines of Commission Rule 710:65-19-214 which states "Vendors operating a multi-level distribution system will collect tax on the gross receipts of the retail value of the products sold...." Oklahoma Statutes or Commission Rules do not contain special provisions which allow a deduction from gross receipts before computing sales tax on transactions related to multi-level sales, nor are the rules concerning coupons applicable to multi-level sales. The typical structure of a direct or multi-level sales company is where the distributor places an order and pays wholesale for the product while paying sales tax on the retail value. Therefore, your client's responsibility as a direct selling company, i.e. multi-level, is to charge sales tax on the retail value of the products sold without regard of discounts or credits to its advisors.

This response applies only to the circumstances set out in your request of April 21, 2005. 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,

Brenda J. Sullivan

Brenda J. Sullivan
Tax Policy Analyst