OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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June 27, 2005

Re: Our File Number LR-05-018A; Sales Taxation of Leases

This is in response to your inquiry concerning whether sales tax is due on the lease payments paid by to

Based on the information contained in your letters of January 28, 2005 and June 17, 2005, the "lease" transactions between and are not "sales" as defined in Oklahoma Tax Commission Rule 710:65-1-2. Instead, the transactions are examples of a "sale and leaseback" and as such are not subject to sales tax.

If does not enter into any transactions where it is acting as a vendor it should submit a sales tax report covering periods through the current month, showing no sales being made, and turn in its sales tax permit with an explanation that it is not engaged in the business of selling, renting or leasing, tangible personal property.

Since is not a vendor it may not purchase anything exempt from sales tax for its own use. If it has done so in the past, it must remit sales tax on the items purchased along with applicable interest and penalty.

This response applies only to the circumstances set out in your request of January 28, 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,
OKLAHOMA TAX COMMISSION

Michael G. Pillow
Tax Policy Analyst