OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

May 19, 2005

Re: Sales Tax on the Sale of
Our File Number LR-05-020

This is in response to your inquiry concerning the subject referenced above.

The sale of motor vehicles is not subject to sales tax in Oklahoma if the Oklahoma Motor Vehicle excise tax has been paid. The Motor Vehicle Excise Tax is levied at 68 O.S. Section 2103. The exemption from sales tax is found at 68 O.S. Section 1355.

However, the gross receipts of the rental or lease of a motor vehicle with a term of less than 12 months is subject to sales tax. The tax is imposed on the lessee and is required to be collected and remitted by the lessor. Even so, if the results in the issuance of an insurance policy to the lessee, and the charge for the insurance policy is separately stated on the lease or rental agreement, it is not subject to sales tax. However, if the charge is reimbursement of a cost to the lessor for a policy of insurance protecting the lessor, the charge is subject to sales tax if the rental or lease agreement is subject to sales tax. Since the sales tax is due on the payments as they become due, and it is not prepaid, no refund of sales tax is due if the insurance policy is cancelled before the end of the lease or rental term. Please see Oklahoma Tax Commission Rule 710:65-1-11.

This response applies only to the circumstances set out in your request of February 10, 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