OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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July 8, 2005

Re: Our File Number LR-05-063; Sales Tax Exemption for Manufacturers

This is in response to your inquiry concerning the sales tax exemption status of manufacturers.

A manufacturer may purchase tangible personal property, exempt from sales tax, under certain conditions. To be exempt, the goods being purchased must be purchased directly by the manufacturer and be items that will maintain their identity as tangible personal property which will become part of the manufacturing process at a manufacturing site.

However, a contractor making purchases of tangible personal property to be incorporated in real property owned by a manufacturer, may not make such purchases exempt from sales tax. Please see Rule 710:65-7-13.

The Manufacturer Sales Exemption Permit ("MSEP") that was referenced in your letter, was effective December 1, 2004 and expires December 1, 2007.

Vendors making sales to the holder of an "MSEP" should follow the requirements of Oklahoma Tax Commission rules 710:65-7-6 and 710:65-7-9.

In order to make purchases of tangible personal property exempt from sales tax, for resale, a vendor has to be engaged in the business of selling the tangible personal property and hold an Oklahoma Sales Tax Permit. Otherwise the purchases it makes are taxable, even if the sales it makes after it has purchased the goods, would be exempt from sales tax. Please refer to Rule 710:65-13-200.

This response applies only to the circumstances set out in your request of April 26, 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. Copies of the rules noted are enclosed.

Sincerely,
OKLAHOMA TAX COMMISSION

Michael G, Pillow
Tax Policy Analyst