OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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July 20, 2005

Re: Our File Number LR-05-068; Interstate sales of products and services

Dear

This is in response to your inquiry concerning whether Oklahoma sales tax is due in certain instances as outlined in your letter. I have set your questions out below and each is followed by our response:

1. We are a company in Arkansas that sells product and services to oil wells in Arkansas and Oklahoma. We receive an order on the phone and deliver that product to an Oklahoma well. We deliver the product on our truck and install the product at the well. Should we charge Arkansas or Oklahoma sales tax?

Response to Question number 1
Oklahoma state and any local sales taxes should be charged based on the taxes due at the location of the well. Sales tax is due on the selling price of the product only, provided that the sale of the services are separately agreed to and separately stated on the invoice. Please see Oklahoma Tax Commission Rules 710:65-15-1; 710:65-18-2; 710:65-18-3; and 710:65-19-158.

2. We are a company in Arkansas that sells product and services to oil wells in Arkansas and Oklahoma. We receive an order on the phone and deliver that product to an Oklahoma well. We ship product by common carrier product. Should we charge Arkansas or Oklahoma sales tax?

Response to Question number 2
Sales of product originating outside Oklahoma which are shipped into Oklahoma are subject to Oklahoma use tax and any local use taxes in effect at the point your customer takes delivery of the product from the common carrier. Please see Oklahoma Tax Commission Rule 710:65-21-3.

3. We go the oil well and perform service at the well in Oklahoma. Do we charge Oklahoma sales tax?

Response to Question number 3
If you are performing oil field labor services at a well site, and are not selling any tangible personal property, you are not required to charge any state or local sales taxes since the provision of oilfield labor services is not subject to sales tax in Oklahoma so long as you are not selling tangible personal property along with the provision of the services. Please refer to the rules referenced in the response to question number one above.

Unofficial copies of the rules noted in this letter ruling can be viewed at the following website:

www.oar.state.ok.us/oar/codedoc02.nsf

This response applies only to the circumstances set out in your request of April 14, 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