OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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November 3, 2005

VIA FAX to

Re: Our File Number LR-05-184; Internet Access Taxation in Oklahoma

Dear

This is in response to your inquiry concerning the sales taxation of Internet access in Oklahoma. I have copied your questions below and each is followed by our response.

1. "Does Oklahoma currently tax Internet access services? We are specifically interested in taxes on cable modem services, and digital subscriber line (DSL) services."

Response: Sales of Internet access services are not taxable in Oklahoma.

2. "If you do not tax DSL or cable modem services, how do you handle situations where taxable services and nontaxable services might be bundled together on the same bill? For example if nontaxable cable modem services are combined with taxable cable television charges on one bill."

Response: The provision of cable television services is also exempt from sales tax in Oklahoma. However, the provision of telecommunication services is subject to sales tax. A recent law change allows providers of telecommunications services that bundle taxable and nontaxable services together, to not charge sales tax on the amounts reflecting the sale of the nontaxable services, if they can reasonably identify the amounts that would be attributable to the nontaxable services in their records kept in the course of their business.

3. "Do you tax bandwidth that is resold among Internet service providers? For example, if purchases bandwidth fron would that transaction be taxable?"

Response: Assuming that the sale of bandwidth is the sale of Internet access, there is no sales tax due on the sale of the bandwidth between the two Internet service providers.

If I can be of further assistance, please feel free to contact me.

Sincerely,
OKLAHOMA TAX COMMISSION

Michael Pillow
Tax Policy Analyst