OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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May 9, 2006

Re: Our File Number LR-06-030; Tax status of material to be used on projects

This is in response to your inquiry wherein you asked "are the raw materials used for manufacture of signs and barricades for placement on projects (we retain ownership of signs/barricades after the job is complete) exempt from tax?"

Please be advised that even though may be a manufacturer/vendor making sales for resale, may not purchase exempt from sales tax, material to be used in the performance of construction projects, it would be considered a contractor in this regards. Contractors are considered the consumer of items used to fulfill contracts. Therefore, must pay the sales tax at the time of purchase when the purchase is knowingly made to fulfill a contract. However, if a withdrawal from the retail inventory is used to fulfill a contract, then it is to be reported on line 2 of the Oklahoma Sales Tax Report and pay the sales tax due. Please reference Oklahoma Tax Commission Rules 710:65-13-200, 710:65-1-7 and 710:65-1-10 which may be viewed at our website: www.oktax.state.ok.us

This response applies only to the circumstances set out in your request of February 13, 2006. 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,

Brenda J. Sullivan

Brenda J. Sullivan
Tax Policy Analyst