OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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October 13, 2006

Tulsa, OK 74119

Re: Our File Number LR-06-042; Use Tax Exemptions

This is in response to your inquiry concerning use tax exemptions. I have set out the three scenarios we discussed by telephone on October 11, 2006 below. Our response follows each scenario.

Scenario 1
Equipment is located outside of Oklahoma, it is brought into Oklahoma to Oklahoma City with the intention of storing it for one or two months and then shipping it to a rig in Texas? What use tax in Oklahoma is due?

Response to Scenario 1: Oklahoma State use tax of 4.5% of the purchase price is due pursuant to Oklahoma Tax Commission Rule 710:65-21-4. However, once the equipment is shipped to Texas, a credit for the tax that was paid may be taken pursuant to 68 O.S. Section 1402. No city use tax is due since the statutes (68 O.S. Section 1411) does not levy municipal or county use tax on property that is intended solely for use outside the county or municipality but which is stored in the county or municipality pending shipment.

Scenario 2
A rig is brought into Oklahoma to an Oklahoma county with a use tax from an out of state location. It is used to drill a well and is then moved to another location in Oklahoma where there is no county use tax. Since the rig is in the first county "temporarily" is that county's use tax due?

Response to Scenario 2: Yes, the first county's use tax is due on the purchase price of the rig. Although the language of subsection (7) of OAC 710:65-21-20 states that there are specifically exempted for municipal and county use tax purposes "goods which are brought into the city or county temporarily," it also states that you should see the language of 68 O.S. Section 1411, and that section of the statute goes into detail that the exemption applies only if the goods

are brought into the city or county temporarily for "the purpose of fabrication, repair, testing, alteration, maintenance or other service." Since that is not the case in this scenario, rather the rig is being utilized for the purpose for which it was designed and built, use tax is due when it is put into service.

Scenario 3
Equipment is shipped from a vendor from an out of state location directly to Oklahoma City. Once it is received by the equipment is accounted for and then it is immediately put on a truck and shipped to an Oklahoma location. What tax is due, the tax for Oklahoma City, or the tax at the other Oklahoma location?

Response to Scenario 3: Since administrative services are being performed on the equipment in Oklahoma City, based on the language found in 68 O.S. Section 1411 which was quoted in the response to Scenario 2 above, the tax that is due is the tax due at the other Oklahoma location to which the equipment is shipped.

This response applies only to the circumstances set out in your request of March 6, 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,
OKLAHOMA TAX COMMISSION

Michael G. Pillow
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