OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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May 3, 2006

Re: File No. LR-06-071
Oklahoma Sales and Use Tax Inquiry

Dear

This is in response to your inquiry regarding the tax ramifications from the purchase of an Ink-O-Dem for use in several of your retail stores located in Oklahoma.

Section 1354 (A)(1) of Title 68 of the Oklahoma Statutes specifically levies a sales tax on the sale of tangible personal property. Section 1359 provides an exemption for sales of machinery and equipment made to a *manufacturer* for use in a *manufacturing operation.*

"Manufacturing operation" is defined in 68 O.S. Section 1352 as "the designing, manufacturing, compounding, processing, assembling, warehousing or preparation of articles for sale as tangible personal property." "Manufacturing" is defined as the process of making a raw material into a finished product, usually by means of a large-scale operation with the use of industrial machines. The North American Industry Classification System, published by the Executive Office of the President and the Office of Management and Budget, classifies the recycling of inkjet cartridges as "Other Services, Repair and Maintenance", and not as part of the manufacturing industry.

The Ink-O-Dem's functions as described in your letter (pretesting for electrical malfunctions, evacuating old ink, flushing and cleaning the printhead, replenishing the ink supply and performing a print test) are not "manufacturing operations" as described by the Oklahoma statutes and rules. Furthermore, is not a "manufacturer". Instead, it is in the business of selling retail. Thus, the purchase of the Ink-O-Dem does not qualify for the manufacturer's exemption and, as a result, is subject to Oklahoma sales or use tax.

Enclosed are copies of the statutes and rules referenced herein.

This response applies only to the circumstances set out in your request of April 19, 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,

Lisa R. Haws
Tax Policy Analyst

Enclosures