

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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August 30, 2006

RE: Our file Number LR-06-099; Tax status on the purchase of business assets

Dear

This is in response to your request for a written determination of the taxability of the items purchased by your client. I have scanned your fact situation into this letter followed by our response.

acquired the following types of assets from the prior

owner:

- 1) Propane Tanks (These tanks are rented to customers. Sales tax is collected on the rental amount of these tanks and remitted to OTC on a monthly basis)
- 2) Bottle Exchanges (This is a holding area where propane bottles are held until they are refilled with propane for customers)
- 3) Bottle Vise
- 4) Storage Tank (This is a storage tank holding the propane that is used to refill tanks and bottles)
- 5) Cylinders
- 6) Office Furniture
- 7) Trailer

I believe that the purchase of the propane tanks listed as item 1 above will be exempt from sales tax since they will be rented to customers at which time sales tax will be collected and remitted. I believe the purchase of the office furniture listed as item 6 above will be subject to sales tax. I am unsure of the taxability of items 2,3,4,5 and 7."

Please be advised that sale tax is not due on the sale of items purchased by a vendor for resale providing the vendor holds an Oklahoma sales tax permit. However, sales tax would be due on any purchases of tangible personal property, such as fixtures and equipment, that is purchased for use in the business and which is not purchased for resale. The rule on the "sale for resale" exemption, 710:65-13-200 is enclosed.

Therefore, items 2, 4 and 7 are taxable if they are not held for resale. I am unsure of the use of items 3 and 5, however, if they are held for rental or lease, then they would not be subject to sales tax in the purchase.

This response applies only to the circumstances set out in your request of June 20, 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
Tax Policy Analyst

Enclosure