OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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October 11, 2006

Re: Our File Number LR-06-136; Sales Tax on the Sale of Software Licenses

Dear

This is in response to your inquiry concerning taxability of the sale of software licenses.

Sales tax is levied on various items listed in the Oklahoma Sales Tax Code at 68 O.S. Section 1354 including the following:

> "(8) Computer hardware, software, coding sheets, cards, magnetic tapes or other media on which prewritten programs have been coded, punched, or otherwise recorded , including the gross receipts from the licensing of software programs;"

Therefore, the sale of a software license in Oklahoma is subject to sales tax if the software which is licensed is not delivered electronically.

Separately stated and separately agreed to charges for training are not subject to sales tax.

Charges for a software maintenance contract that includes both software updates and customer support, where there is no separate statement of the charges for the updates and for the telephone support are taxable.

These responses are based on Oklahoma Tax Commission Rules 710:65-19-52 and 710:65-19-156. Copies are enclosed.

This response applies only to the circumstances set out in your request of August 29, 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
Tax Policy Analyst