

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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December 15, 2006

Re: Our File Number LR-06-184; Sales/Use Tax on Sales/Installation of Electric Signs

Dear

This is in response to your inquiry concerning the subject referenced above. I have copied the scenarios that were set out in your letter below and each is followed by our response.

However, as set out in Oklahoma Tax Commission Rule OAC 710:65-15-1, if the signs are installed by your company or your company's agent in Oklahoma, sales tax will be due. On the other hand, if they are shipped to your customer via common carrier and your company is not responsible for installing them, you will be responsible for charging and remitting Oklahoma and applicable local vendor's use tax on the selling price of the signs.

For both sales and use tax, the tax applies to the gross receipts of the sale of the sign, which for a manufactured product is both the cost of the material and the labor to produce it. Both the sales tax and the use tax should be separately stated and passed on to the consumer.

Your Scenarios and our Responses

Product- We manufacture a sign and ship to end user
Response: Use tax is due. See OAC 710:65-21-3

Product- We manufacture sign & ship to sub-contractor for installation
Response: If you are responsible for the installation, sales tax is due on the sale.

Installation Labor - When installation and product price are combined
Response: Where installation charges are not separately stated, they are subject to tax, see OAC 710:65-1-2.

Installation Labor- When billed on the same invoice but separately stated
Response: Where installation charges are separately stated, they are not subject to tax.

See the rule noted immediately above and OAC 710:65-19-311.

Installation Labor-When invoiced separately from the product

Response: Where installation charges are separately invoiced, they are not subject to tax based on OAC 710:65-1-2 and 710:65-19-311.

Freight costs-when shipped directly to the end user

Response: If they are separately stated, they are not subject to tax pursuant to OAC 710:65-19-70

Freight costs-when shipped to sub-contractor for installation

Response: If they are separately stated, they are not subject to tax pursuant to OAC 710:65-19-70

Permits Only- Invoiced separately, when site work is cancelled without completion

Response: They are not subject to tax pursuant to OAC 710:65-1-2 since the charge would be a charge for intangible personal property.

Permits-when separately stated on invoice for product and installation

Response: They are not subject to sales tax pursuant to OAC 710:65-1-2 since the charge would be a charge for intangible personal property.

Survey Only

Response: Since this is a charge for service work performed in relation to signs, and charges for the servicing of signs is not taxable, this charge is not taxable pursuant to OAC 710:65-19-311.

Survey with additional work performed (manufacturing and installation) billed separately

Response: The charge for the Survey work performed where the Survey work is billed separately is not subject to tax pursuant to OAC 710:65-19-311.

Service- neon light repair, replacement of ballasts or transformers, repair metal work, secure faces, replace light bulbs or electrical components.

Response: If the services performed involved only the application of labor, they are not taxable pursuant to OAC 710:65-19-311. For those jobs involving the replacement of parts such as ballasts, transformers, or bulbs, unless the parts are separately stated and tax charged on the parts separate from the charges for the labor to install them, the entire charge for the job becomes taxable pursuant to OAC 710:65-1-9.

Removal of old signage by subcontractors

Response: This service is not subject to tax pursuant to OAC 710:65-19-311.

Are there tax differences for new construction vs. replacement of existing signage

Response: For the same transaction, the tax treatment will not vary based on whether or not the signage involved is new construction or the replacement of existing signage.

This response applies only to the circumstances set out in your request of October 16, 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

A handwritten signature in black ink, appearing to read "Michael G. Pillow". The signature is written in a cursive style with a large initial "M".

Michael G. Pillow
Tax Policy Analyst