OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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December 6, 2006

Re: Our File Number LR-06-190; Tax status of installation Contractor

Dear

This is in response to your inquiry for confirmation of your understanding of contractor's compliance with Oklahoma Tax Commission requirements.

Please be advised that in Oklahoma, a contractor is considered the consumer or user and is required to pay the sales tax or use tax on the purchase of tangible personal property and taxable services used in fulfilling contracts. The mere fact that costs are passed on to the customer does not constitute a sales transaction of tangible personal property associated with performance of a contract. See Commission Rules 710:65-1-7 and 710:65-19-56.

Therefore, the contractor should pay sales/use tax on the materials at the time of purchase. Because contractors are the consumers/users of items purchased to improve real property, they pay tax on the materials used in their contracts and do not charge sales tax on the revenue received from the contract. As a result, a contractor invoice should clearly show that it is charging for labor /services rather than for the sale of goods.

You may reference Oklahoma Tax Commission Rules relating to Contractors 710:65-1-7, 710:65-19-55 and 710:65-19-56, at our website: www.oktax.state.ok.us. If I can be of further assistance, please contact me.

Sincerely,

Brenda J. Sullivan
Tax Policy Analyst