OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

PHONE (405) 521-3133
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May 10, 2007

Re: Our File Number LR-06-200; Sales Tax on revenue from on-line games

Dear

This is in response to your inquiry concerning the sales tax implications of your company owning servers in Oklahoma and having them used on-line for games. I have set out your questions below and each is followed by our response.

Does the State of Oklahoma consider the presence of an owned server at a co-location premises in the State to:

1. Create a permanent establishment for state and/or city taxes?

Response: The ownership of a server in Oklahoma is sufficient connection to require to register and collect and remit sales tax on any taxable sales made. It would also be sufficient to require the payment of franchise tax if is a corporation.

2. Create a sales tax liability on the subscription revenue for players either:
   a. using the server located inn the State or;
   b. just those players who reside in the State Of Oklahoma.

Response: The subscription revenue to play an on-line game is not subject to sales tax in Oklahoma without regard to where the player is located or where the server is located.

3. Create a sales tax liability on any advertising revenues earned from agents located in the State. Could you also confirm that adverts displayed on the website from out of state entities would not be subject to any sales tax.

Response: Sales of advertising on the internet are exempt from sales tax in Oklahoma, without regard to where the advertiser is located.

These responses are based on Oklahoma Tax Commission Rule 710:65-19-156. A copy is enclosed.

This response applies only to the circumstances set out in your request of November 15, 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