OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

PHONE (405) 521-3133
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April 4, 2007

RE: Our File Number LR-07-024; Tax status of manufacturing equipment

Dear

This is in response to your request for a written opinion regarding the tax status of your company's plan to replace four Forklifts in their plant. You stated that your company is "a manufacturer of Oilfield Tubular Products. The forklifts will be used primarily in the manufacturing process by moving the raw material (pipe) from one stage of production to another because of the size of the pipe. However, occasionally, the forklifts will also be used to load the final product on the truck for shipments to our customers."

The Oklahoma sales tax code, at 68 O.S. Section 1359, exempts from sales tax, tangible personal property, machinery and equipment sold to a manufacturer for use in a manufacturing operation. "Manufacturing operation", is specifically defined at 68 O.S. Section 1352(14) as the designing, manufacturing, compounding, processing, assembling, warehousing, or preparing of articles for sale as tangible personal property. A manufacturing operation begins at the point where the materials enter the manufacturing site and ends at the point where a finished product leaves the manufacturing site...." Also see Commission Rule 710:65-13-150.1 subsection (b) (2) (D) (v) examples of manufacturing equipment and machinery include forklifts used in a manufacturing operation.

Therefore, based on the above fact scenario, your company's replacement of the forklifts would qualify for the manufacturing exemption found in 68 O. S. Section 1359 and Commission 710:65-65-13-150.1.

An unofficial copy of the Oklahoma Tax Commission rule referenced herein may be viewed at the following website by entering the rule number as the search term:

www.oar.state.ok.us/oar/codedoc02.nsf

This response applies only to the circumstances set out in your request of February 8, 2007. 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