OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

July 2, 2007

Re: Our file Number LR-07-051; Tax status of accessories attached to motor vehicle held for lease subsequent to vehicle's registration

Dear :

This is in response to your inquiry for clarification regarding the application of Oklahoma sales and use tax statutes and rules to the purchase of accessories attached to motor vehicles owned by a leasing company. You stated that "for the purposes of this ruling, the lessor is doing business in Oklahoma and the accessories are attached to a motor vehicle held for lease subsequent to the motor vehicle's purchase and registration. Further, the motor vehicle is to be leased for a period of twelve months or longer." I have set out your questions below, followed by our response.

Question:

1. Are the accessories purchased by the lessor for installation onto motor vehicles held for lease subject to Oklahoma sales/use tax?

Our Response: The definition of a sale also, includes the exchange, barter, lease, or rental of tangible personal property resulting in the transfer of the title to or possession of the property. 68 O.S. Section 1352 (21) (a). Subsection 22 (a) further defines "Sale for resale" as "a sale of tangible personal property to any purchaser who is purchasing tangible personal property for the purpose of reselling it...in the normal course of business either in the form or condition in which it is purchased or as an attachment to or integral part of other tangible personal property." Since leases fall in the definition of a sale for resale, the purchases of accessories by a lessor to be installed on a leased vehicle are exempt from sales tax.

2. Is the subsequent lease of the motor vehicle to which the accessories are attached, subject to Oklahoma sales or use tax?

Our Response: Based on 68 O. S. Section 1355 (6) "Leases of twelve (12) months or more of motor vehicles in which the owners of the vehicles have paid the vehicle excise tax levied by Section 2103 of Title 68 are exempt from sales tax."

3. Are the lessor's purchases of repair and maintenance parts for either the motor vehicles or the accessories subject to Oklahoma sales or use tax?

Our Response: The purchases of repair parts for incorporation into motor vehicles held for lease are exempt from sales or use tax. See Commission Rule 710:65-1-11 (i).

This response applies only to the circumstances set out in your request of March 19, 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