

OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

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

July 14, 2008

Re: Taxability of sales of custom ornamental iron works; Our File No. LR-08-016

I am writing in response to your request for a determination whether _____ should have a sales tax permit. I have set forth verbatim the facts presented to explain your business model along with the question posed and the response thereto.

We are a metal working shop that typically bids on jobs. We quote the labor and material as one cost for simplicity to our customers. We purchase materials from our vendors at retail cost. We, in turn, use this metal to build different products, such as metal ladders or gates. When we bill our customer, we use a one item line stating Labor and Materials. We do this because of the initial cost (when we purchased it) of materials are taxed. The material's cost is equal to the price it cost us to purchase the materials. We feel we do not need to tax our customer on a material that we have already paid sales tax on and a material that we used to finish our bid job.

The sale of tangible personal property, unless specifically exempted by the provisions of the Oklahoma sales tax code, is subject to the levy of sales tax. 68 O.S. §1354(A)(1). Gross receipts or gross proceeds is the base upon which sales tax is calculated. The two terms are synonymous and are defined as "the total amount of consideration . . . for which personal property or services are sold . . . whether received in money or otherwise. . . ." 68 O.S. § 1352(12) No deduction from gross receipts is allowed for "the cost of materials used, labor or service cost." 68 O.S. § 1352(12)(a)(2).

As a vendor of custom made iron products such as metal ladders and gates, you should obtain a sales tax permit, buy the materials used to build these products, exempt from sales tax, and collect sales tax on the total amount charged your customer for an item. OAC 710:65-19-60

A Business Registration Form, which is used to obtain a sales tax permit is enclosed.

This response applies only to the circumstances discussed in your telephone request of March 20, 2008. 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 there has been no change in applicable law.

Sincerely,

OKLAHOMA TAX COMMISSION

A handwritten signature in black ink, appearing to read "Christy J. Caesar". The signature is written in a cursive style with a large initial "C".

Christy J. Caesar
Tax Policy Analyst