



OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

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May 27, 2008

RE: LR-08-026
Sales Tax

Dear

You have inquired if you should be charging sales tax on the labor that is part of the production of your finished product.

Our Response:

Normally labor is exempt from sales tax, however as a manufacturer it should be charged since labor is part of the production of your product.

(Pursuant to 710:65-19-60, Made-to-order and custom sales)

Where persons contract to manufacture, compound, process or fabricate their materials into articles of tangible personal property according to the special order of their customers, the total receipts from the sales of such articles are subject to tax. The seller may not deduct any of his costs, nor can he deduct any of his charges for labor or services, which are an item of the production or fabrication costs of the article, to arrive at the amount of gross receipts subject to tax. Articles commonly made to order are curtains, draperies, tents, awnings, clothing, and slipcovers. The person making sales of made-to-order and custom made articles may purchase the materials which become a component or ingredient of their products tax exempt pursuant to a valid sales tax permit. The equipment, tools and supplies directly used or consumed in the production of such articles and not becoming a part thereof are subject to tax.

This response applies only to the circumstances discussed in your written request of March 19, 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.

If you should have any questions, please feel free to contact me.

Sincerely,

Oklahoma Tax Commission

A handwritten signature in cursive script that reads "Marc Morrison".

Marc Morrison

Tax Policy & Research Division