December 31, 2008

Re: Sales tax inquiry; LR-08-180

Dear

I am writing in response to your request for a determination as to whether accessories added to new or used cars in inventory are subject to sales tax. Set forth verbatim are the facts presented along with the questions posed and the responses thereto.

Dealer has in inventory a new pickup. Floor mats and an after market bumper are added to the truck before it is put on the lot. The floor mats and bumper are included in the price when the truck is sold to a customer; the items are listed on the bill of sale and the customer pays excise tax on the total sales price.

Question 1: Are the floor mats and bumper subject to sales tax when added to the pickup (or at any time)? Or, are they exempt from sales tax because they are subject to the excise tax and delivered with the vehicle to the end user?

Dealer, if possessing a sales tax permit, may make purchases of items such as floor mats and bumpers to be added to motor vehicles held for resale\(^1\) exempt from sales tax. 68 O.S. § 1357(3). Section 1355(2) of Title 68 exempts from sales tax a “sale of motor vehicles or any optional equipment or accessories attached to the motor vehicles on which the Oklahoma Motor Vehicle Excise Tax levied in Section 2101 et seq. of this title has been, or will be paid.” As long as the floor mats and bumper are included in the vehicle’s sales price upon which excise tax is calculated, sales tax is not due on the transfer of these items to the purchaser.

---

\(^1\) 68 O.S. § 1352(23)(a) 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.”
Question 2: Would the answer be different if the customer requested to have the bumper and floor mats added (but the value of the bumper and floor mats was added to the sales price and therefore include in the amount subject to excise tax)?

No.

Dealership acquired an auto by trade-in. A new alternator and other parts are added to the car to make it run properly and increase the potential sales value. The car is put on the lot for sale.

Question 3: Are the parts added to the car subject to sales tax when it is put on the lot (or at any time)? Or, again, are they exempt from sales tax because they will be included in the sales price paid by the customer and therefore subject to excise tax.

Provided that your client holds an Oklahoma Sales Tax Permit, it may purchase, exempt from sales tax, repair and replacement parts which will be placed on motor vehicles that are being held for resale. Excise tax would be levied on the transfer of the used vehicle calculated upon the sales price of said vehicle.

This response applies only to the circumstances discussed in your request of December 12, 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

Christy J. Caesar
Tax Policy Analyst