OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

PHONE (405) 521-3133
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July 7, 2009

Re: Our File No. LR-09-006

Dear

I am writing in response to your request for clarification regarding the sales taxability of trade-ins, discounts, and shipping charges. Set forth verbatim are the facts presented along with the response to your request.

> We are a manufacturer of medical equipment, we have sold a urology suite to one of our customers which is a hospital. We allowed them a credit for their trade-in which may or may not have been originally purchased from us. We also allowed the customer a discount on the purchase.

The sale of tangible personal property in Oklahoma, 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, gross proceeds, or sales price is the base upon which sales tax is calculated. The 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 a "credit for any trade-in" 68 O.S. § 1352(12)(a)(6). However, amounts related to delivery charges if separately stated on the invoice or billing document may be deducted from gross receipts. 68 O.S. § 1352(12)(a)(5). Further, gross receipts do not include "discounts, including cash, term, or coupons that are not reimbursed by a third party that are allowed by a seller and taken by a purchaser on a sale." 68 O.S. § 1352(12)(b)(1).

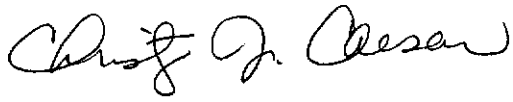
Based on the foregoing you properly calculated sales tax on the amount of the trade in credit. However, if the above stated conditions are met, the discount allowed and the charges for shipping the urology suite are not included in gross receipts for sales tax calculation purposes.

This response applies only to the circumstances discussed in your request of January 12, 2009. Pursuant to Oklahoma Administrative Code 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