OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

PHONE (405) 521-3133
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June 29, 2009

Re: LR-09-080; Taxability of discount saving cards

Dear [illegible]

This is in response to your request for a written opinion on the sales taxability of Prescription Savings Club cards. You stated that "these cards have two benefits. They are mainly a discount card for prescriptions that are designated in the formulary. You can also use the card to get a 10% rebate or credit on any purchase when private label items are purchased. A yearly fee is applied when this card is purchased." Also, you asked if the initial purchase of the card considered taxable and are annual fees taxable.

Section 1354(12) of Title 68 levies a sales tax on "dues of fees to clubs including free or complimentary dues or fees which have a value equivalent to the charge that would have otherwise been made, including any fees paid for the use of facilities or services rendered at a health spa or club or any similar facility or business." Dues or fees paid for the opportunity to purchase items and services at a discount do not fall within the purview of Section 1354(12). Therefore, charges for discount club memberships like the Prescription Savings Club described above are not subject to sales tax. Effective June 25, 2006, language regarding discount club memberships was stricken from OAC 710:65-19-77 as inconsistent with Section 1354(12) of Title 68. Please see attached.

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

Brenda J. Sullivan

Brenda J. Sullivan
Tax Policy Analyst