OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

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

July 7, 2009

Re: Sales Tax Inquiry; Our File No. LR-09-083

Dear

I am writing in response to your request regarding the calculation of sales tax on fabricated steel. Set forth verbatim are the facts presented along with your query and the response thereto.

FACTS

We are in the bidding process on multi aircraft hangar project on . We are an out of state engineering firm and we also do design build projects where we supply the steel. We called the sales tax office and were told that engineering services were not subject to sales tax but of course the sale of steel would be subject to sales tax. This is consistent with how we handled our bid. One of our competitors is representing that the labor portion of the steel fabrication is exempt from sales tax in Oklahoma. Our bid has not been prepared as such as we do not believe this to be the case. Our steel would be fabricated out of state and shipped in and we would plan to pay sales tax on the total cost of the steel and not break out the labor versus the fabrication.

QUERY

Is the labor portion of the steel fabrication exempt from sales tax in Oklahoma?

RESPONSE

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 "the cost

of materials used, labor or service cost." 68 O.S. § 1352(12)(a)(2). Therefore, sales tax is due on the total amount charged for the fabricated steel without any deduction for labor costs. Likewise, use tax is due on the total purchase price of fabricated steel purchased out of state and brought into Oklahoma for use and consumption. 68 O.S. § 1402. Purchase price has the same meaning as gross receipts, gross proceeds or sales price as defined in Section 1352 of Title 68. 68 O.S. § 1401(3).

This response applies only to the circumstances discussed in your request of May 19, 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

Christy J. Caesar
Tax Policy Analyst