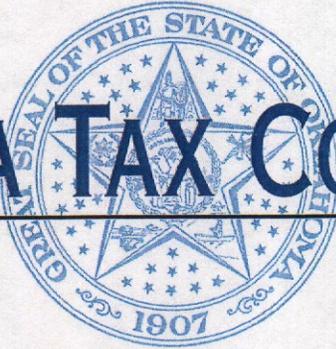


OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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



July 23, 2012

Re: LR-09-135; Sales Tax Inquiry

Dear [REDACTED]

This is in response to your inquiry regarding the taxability of your online services, [REDACTED]. A description of the services offered by your business outlined in your request is set forth below along with the question posed and the response thereto.

FACTS

[REDACTED] is an online service that is offered on a state by state basis and I will be the licensed owner/operator for the state of Oklahoma. The service enables members of the public to trade their used books, CDs, DVDs and video games with each other. The service sells three items, which are:

1) Media credits (Which are either earned or purchased).

Media credits is the first of two types of credits used by the service to keep track of media trades. Media credits are earned when a member mails out a media title that was requested by another member. Once the media title is confirmed as received. The member (sender) will use the media credits they earned to request a media title from another member. If a member is short a few media credits to request a title they want. They can purchase media credits. Presently media credits are sold by the service at the cost of \$2.00 each. Members cannot sell media credits to each other. They can only be purchased from the service.

2 - Trade credits (Which must be purchased).

Trade credits are required for all trades and must be purchased. Presently trade credits cost \$0.20 cents each, and the numbers of trade credits required for each trade will vary based upon the value of the media being traded. Like media credits, members cannot sell trade credits to each other. They can only be purchased from the service.

3 - Media Mailer envelopes

Members have the option of purchasing branded envelopes which can be used to mail out CDs, DVDs and video games. I will be purchasing these printed envelopes in bulk from an envelope manufacturer/printer and I will be selling them in packages of 25 to members at the cost of \$4.99.

2501 NORTH LINCOLN BOULEVARD • OKALHOMA CITY • OKLAHOMA 73194

QUESTION

Based on the information provided is the sale of media and trade credits by [REDACTED] subject to sales tax in Oklahoma.

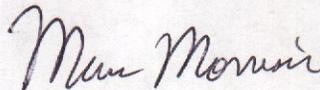
RESPONSE

The sale of the Media and Trade Credits by your company is not subject to Oklahoma sales or use tax. However, the sale of media mailer envelopes is subject to Oklahoma sales and use tax. If the envelopes are shipped from out-of-state into this state to your Oklahoma customers and your mailbag media business has physical presence in the State of Oklahoma then you will be required to register and obtain a use tax permit and collect state and any applicable local use tax on sales of mailer envelopes to your Oklahoma customers and remit same to the State. If not, you may voluntarily register with this state to collect and remit use tax on your Oklahoma mailer envelope sales. There is no fee for this permit. Application may be made by submitting to the Taxpayer Assistance Division, Oklahoma Tax Commission, P.O. Box 26920, Oklahoma City, OK 73126-0920, a completed Packet A available online at www.tax.ok.gov. Otherwise, your Oklahoma customers will be required to pay the applicable use tax on their mailer purchases to the Oklahoma Tax Commission.

This response applies only to the circumstances discussed in your request of September 30, 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



Marc Morrison
Tax Policy Analyst