

OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

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March 18, 2010

RE: LR-09-214
Sales Tax Inquiry

Dear [REDACTED]

I am writing this letter in response to your request regarding sales tax and core charges. Set forth verbatim are the facts presented along with the question posed and the response thereto.

As per our conversation last week concerning 710:65-19-72. Deposits, Core charges and trade-ins, I contend that core charges for starter, alternators, fuel pumps, transmissions and other rebuilt items do not fit this category. For example:

A person comes in and buys a rebuilt starter. The price of the starter is \$35.00 exchange. The customer does not have the old starter to exchange, so he is charged a \$15.00 core charge, which is not taxable. The \$35.00 is taxable, but the core charge of \$15.00 is not. Later that day, the customer returns the old starter (core) and is refunded the \$15.00 he was charged for the core. This is different from the examples you give for taxable transactions, where the customer is allowed a deduction from the price of the product for his trade-in which I can understand would be taxable. This is not the same as a core charge for a rebuilt item where a customer is charged a core charge, which is not included or deducted from the purchase price.

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

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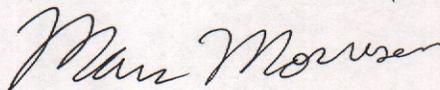
IT IS OUR MISSION TO SERVE THE PEOPLE OF OKLAHOMA BY PROMOTING TAX COMPLIANCE THROUGH QUALITY SERVICE AND FAIR ADMINISTRATION

tax is calculated. The terms are synonymous and are defined as "the total amount of consideration, including cash, credit, property and services, for which personal property or services are sold...whether received in money or otherwise..."68 O.S. § 1352(12)(a)(6). Additionally, Oklahoma Administrative Code 710:65-19-72 further provides that "no deduction from the gross proceeds of a sale is permitted for any credit allowed by the seller for the value of a core charge, deposit or a trade-in in exchange or part payment and the tax applies to the full selling price."

In your example, the total amount of consideration received by the vendor from the sale of the rebuilt starter is \$50.00. Sales tax is due on that amount. The credit of \$15.00 allowed by the vendor for the subsequent core trade-in, although refunded to the customer, does not affect the taxability of the initial charge. Therefore, the sales tax attributable to the \$15.00 core charge is proper and cannot be refunded.

This response applies only to the circumstances discussed in your written request of November 19, 2009. 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
Marc Morrison
Tax Policy & Research Division