OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
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February 16, 2010

Fax#

RE: LR-10-024; Tax status of involuntary sales of lost equipment

Dear

This is in response to your correspondence concerning Oklahoma sales tax on involuntary sales of lost rental equipment. What follows is verbatim your facts and question and our response thereto.

> rents equipment used in the drilling for oil & natural gas. In the course of our work a customer sometimes either damages equipment beyond repair, loses the equipment or the equipment becomes stuck in the drill hole and cannot be retrieved, has to charge the customer a fee to replace the equipment. refers to such sales as involuntary sales as the equipment was not met to be sold. The customer is only paying for the equipment since it has been lost or damaged beyond repair. Some states consider involuntary sales not to be subject to theft sales taxes as the equipment did not change ownership, other states do subject such sales to their state's sales taxes.

QUESTION

Does the State of Oklahoma consider involuntary sales to be taxable under Oklahoma sales tax law?

RESPONSE

Gross receipts attributable to charges billed for drill pipe, tools and other equipment lost "down hole" of an oil or gas well are subject to sales tax. Therefore, should collect and remit Oklahoma sales tax on the above referenced charges.

This response applies only to the circumstances discussed in your request of January 15, 2010. 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

Brenda J. Sullivan

Brenda J. Sullivan
Tax Policy Analyst