OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
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March 21, 2011

RE: LR-10-154 (Sales and Vehicle Excise Tax Inquiry)

Dear

I am writing this letter in response to your request regarding Oklahoma Sales Tax and Motor Vehicle Excise Tax. Set forth verbatim are the facts presented along with the responses thereto.

Facts:

Company A is a provider of oilfield services, including pipe recovery, completion services, and wireline logging. For many of these services provided, Company A requires the use of specialized truck-mounted auxiliary equipment. For example, the wireline logging service requires specific equipment to aid in depth control, equipment to perforate and ply wells, equipment to evaluate bonding, temperature, and fluid flow.

Recently, Company A purchased a truck & chassis from a Texas motor vehicle dealer ("Dealer A"), which was immediately titled in Oklahoma (with the requisite payment of the 3.25% Oklahoma motor vehicle excise tax). At the time the truck was titled, it was still "green" – that is, none of Company A's specialized oilfield servicing equipment, parts or accessories affixed to the vehicle. After the vehicle was titled in Oklahoma, a second vendor ("Vendor B") sold and installed the equipment on the titled vehicle. Because the equipment was purchased separately, and the green vehicle was titled before the equipment was installed, Company A determined that Oklahoma use tax was due on the wireline equipment purchased from Vendor B (excluding separately stated installation charges). The use tax was accrued and remitted on Company A's Oklahoma monthly use tax return.

In the near future, Company A anticipates purchasing additional new vehicles, which may or may not be purchased, equipped and titled in a similar fashion and timeline as outlined above. However, Company A may title the vehicles in Oklahoma upon completion of the sale & installation of equipment by Vendor B (i.e., rather than titling

the green vehicle prior to finish-out). Alternatively, in an effort to secure better pricing and cost savings, Company A is also considering purchasing the trucks and equipment in a completed state from a single dealer/vendor.

In addition, for a number of business reasons, Company A is also considering placing its existing fleet and any new additions in a separate legal entity ("Company L"), with the fleet subsequently leased to Company A's operating entity. Given each of these possible alternatives, Company A would like to determine its full & proper motor vehicle excise tax and/or sales & use tax obligations related to each scenario.

Issue

1. Given the facts, what are the proper Oklahoma excise and/or sales & use tax treatments of Company A's purchase and title of a completed truck/chassis and installed equipment from a single dealer/vendor?

Response

A completed truck/chassis and installed equipment from a single dealer/vendor would be subject to Oklahoma Motor Vehicle Excise Tax only, as long as, the equipment is included in the vehicle's sales price upon which excise tax is calculated, sales tax would not be due on the transfer of these items to Company A.

Issue

2. Given the facts, if the trucks and any equipment are purchased by Company L and leased to Company A, what are the proper Oklahoma excise and/or sales & use tax treatments of the purchase of the truck/chassis and a separate purchase of accessories, parts & equipment from Dealer B, respectively, by Company L, if title to the green truck/chassis is effected prior to installation of the equipment (i.e., similar to the original scenario outlined in the facts above)?

Response:

If Company L purchases the "green truck/chassis" separate from the purchase of accessories, parts and equipment, Company L would be required to remit Oklahoma Motor Vehicle Excise Tax on the "green chassis". Provided that Company L qualifies as a "vendor regularly and continuously engaged in a business at an established place of business making sales" subject to the Sales Tax Code[1] and holds an Oklahoma Sales Tax Permit, it may purchase, exempt from sales tax, the accessories, parts and equipment which will be placed on motor vehicles that are to be leased to Company A. Otherwise, sales tax is due on the purchase of these items.

If Company L intends to lease the motor vehicles to Company A for periods that are less than 12 months, Company L should collect Oklahoma sales tax from Company A and report and remit same to the Oklahoma Tax Commission. 68 O.S. § 1354(A)(1) & (18). However, leases of

[1] 68 O.S. § 1363(1).

twelve months or more of motor vehicles in which the owners of the vehicles have paid the vehicle excise tax are exempt from sales tax. 68 O.S. § 1355(6).

Copies of the referenced statutory provisions are enclosed.

This response applies only to the circumstances discussed in your written request of August 24, 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

Marc Morrison
Tax Policy Analyst