

OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR



PHONE (405) 521-3133
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October 28, 2010

FAX

Re: LR-10-155; Sales Tax Inquiry

Dear

This is response to your sales tax inquiry of October 7, 2010. Set forth are the facts presented along with the questions posed and the responses thereto.

Facts:

I have a client who is an Internet service provider franchisor that is headquartered in (I believe) them to the franchisor. The franchisor will in turn sell those routers to their franchisees. It should be noted that the franchisees are located all over the country.

They obtained a customer who is a My client will buy routers and resell them to their franchisees. It should be noted that the franchisees are located all over the country.

Question 1:

Since the franchisor is reselling the routers to the franchisee, does my client (the ISP) have to charge sales tax (to the franchisor)?

Response:

In order to exempt for resale the sale of the routers to the Franchisor, your client should obtain the franchisor's Oklahoma sales tax permit or its home state permit along with written confirmation that the franchisor is in the business of reselling the items being purchased, and that the items being purchased are for resale. The certificate should be signed by a person authorized to bind the franchisor. The certification may be made in the manner set forth in paragraph (1) of Oklahoma Administrative Code 710:65-13-200, copy enclosed.

Question 2:

Furthermore, even if the franchisee is located in Oklahoma, do they have to charge sales tax since (technically) the franchisor is the one selling the router to the franchisee?

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Response:

No, the location of the franchisee does not affect the taxability of your client's sale to the franchisor.

This response applies only to the circumstances discussed in your written request of October 07, 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

A handwritten signature in cursive script, appearing to read "Marc Morrison".

Marc Morrison
Tax Policy & Research Division