

OKLAHOMA TAX COMMISSION



TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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July 22, 2013

Re: LR-11-111; Sales tax on commercial door installations

Dear

This is in response to your request for a ruling on the sales tax treatment of the scenarios set forth below along with the response thereto.

Background

Our company sells, installs, services, repairs, replaces commercial doors. We have different types of sales where we need to know our tax collection responsibility.

Scenario 1

We have a call from a large retailer where an automatic door is not working properly. We make the service call and replace the closer and repair the door. The closer costs \$300 and the labor is \$200.

It is our now our understanding that since the door was attached to the door which is permanently attached to the building, we are not required to charge sales tax on the \$300 hardware. We also do not charge tax on the labor.

Scenario 2

We receive a call from a large commercial (non-exempt) customer to repair their warehouse door. Our service tech is not available so we ask one of our sub-contractors trained in overhead doors to assist us and bill us for his time. He finds the unit needs to be repaired requiring parts. We give him the parts from our inventory and he repairs the door. He bills us his time, we bill our customer for his time plus \$400 for the parts that were used to repair the warehouse door.

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It is our understanding that this would be the same as Scenario 1 since the parts were used to repair the warehouse door which is permanently attached to the building.

RESPONSE

Tax Commission records indicate that _____ currently holds a valid sales tax permit which allows it to purchase tangible personal property exempt from Oklahoma Sales Tax for resale purposes. 68 O.S. § 1357(3). In both scenarios 1 & 2, it appears that when billing your customers _____ separately itemizes parts from labor acting as a vendor of tangible personal property responsible for the installation of these items. Therefore, _____ should collect sales tax on the gross receipts attributable to the sale of the tangible personal property in Oklahoma and report and remit same to the Oklahoma Tax Commission. Separately stated labor/installation charges are not subject to sales tax.

Scenario 3

A customer calls us and would like to replace the entry door to their office. They do not ask us to install the door, they only want to purchase the door from us.

It is our understanding that this is a taxable sale (as long as the customer is not exempt or resale etc.) since we are not attaching this to the real property. The customer has the intent to do that [but] we are not the ones doing that.

RESPONSE

In Scenario 3 the sale of the door is subject to sales tax. 68 O.S. § 1354(A)(1).

Copies of the referenced statutory and administrative code provisions are enclosed.

This response applies only to the circumstances discussed in your request of October 3, 2011. Pursuant to Oklahoma Administrative Code 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



Brenda J. Sullivan
Tax Policy Analyst

Enclosure