

OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION

PHONE (405) 521-3133
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February 27, 2012

Re: LR-12-018 Sales Tax Inquiry

Dear [REDACTED]

I am writing in response to your request for clarification regarding the taxability of the transactions in your correspondence of January 23, 2012. Set forth verbatim are the facts presented along with the questions posed and the responses thereto.

FACTS

During the week of [REDACTED] in [REDACTED] has the privilege of hosting the [REDACTED]. This event is a national championship conducted yearly by the [REDACTED]. The championship is expecting more than 130,000 spectators, will be supported by more than 3,000 volunteers, and projects an estimated economic impact of more than \$25 million to the local and state economy.

[REDACTED] is a limited liability partnership operating under the trade name of [REDACTED] and is a for-profit organization. The [REDACTED] is the governing body of [REDACTED] and is a 501(C)3. [REDACTED] will be hosting the [REDACTED] in conjunction with the [REDACTED] and will be responsible for the financial and operational management of the Championship.

We are currently in the early stages of selling hospitality packages to the championship and will begin to sell tickets in early 2013. We would like to have clarification on the following issues:

1. Program/Pairings Guide Advertisements — It is our understanding that gross proceeds from the sale of advertising space in programs related to sporting and entertainment events are exempt from sales tax. Please let us know if our championship meets the requirements and is exempt from sales tax on the sale of our program and pairings guide advertisements.

RESPONSE

Section 1354(11) of Title 68 specifically levies a sales tax upon advertising of all kinds, types and characters, including any and all devices used for advertising purposes except those specifically exempt pursuant to the provisions of Section 1357 of Title 68. You are correct in your understanding that sales of advertising in programs relating to sporting and entertainment events¹ are not subject to the levy of sales tax. Therefore, sales of the Program/Pairings guide advertisements are exempt from sales tax.

2. Hospitality packages — It is our understanding that gross proceeds from the sale of hospitality packages at major national championships are exempt from sales tax. Please let us know if our championship meets the requirements and is exempt from sales tax on the sale of our hospitality packages.

RESPONSE

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). Section 1356(42) of Title 68 exempts sales of tangible personal property or services by an organization which is exempt from taxation pursuant to the provisions of 26 U. S. C., Section 501(c)(3), in the course of conducting a national championship sports event, but only if all or a portion of the payment in exchange therefor would qualify as the receipt of a qualified sponsorship payment described in 26 U.S.C., Section 513(i). Sales exempted pursuant to this paragraph shall be exempt from all Oklahoma sales, use, excise and gross receipts taxes.

Because _____, a limited liability partnership operating under the trade name of _____, is a for-profit organization, sales by _____ of the hospitality packages would not qualify for the exemption found at Section 1356(42) of Title 68 of the Oklahoma Statutes.

3. Tickets — It is our understanding that admissions tickets sales associated with some professional sporting events are exempt from sales tax. Please let us know if our championship qualifies for this sales tax exemption on admissions ticket sales.

RESPONSE

Section 1354(13) of Title 68 specially levies a sales tax upon the sale of tickets for admission to or voluntary contributions made to places of amusement, sports, entertainment, exhibition, display, or other recreational events, or activities, including free or complimentary admission which have a value equivalent to the charge that would have otherwise been made. Paragraphs 58 and 59 of Section 1356 of Title 68 exempt admissions to National Basketball Association and National Hockey League Games and admissions to professional sporting events involving ice hockey, baseball, basketball, football, arena football and soccer, respectively. However, there is no provision in the Sales Tax Code which exempts sales of admissions to championship/professional _____ events. Therefore, the admission sales at the _____ will be subject to state and any applicable local sales tax.

¹ 68 O.S. § 1357(5)

This response applies only to the circumstances discussed in your request of January 23, 2012. 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