

OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

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December 3, 2012

RE: LR-12-023 (Sales Tax Inquiry)

Dear [REDACTED]

This is in response to your request regarding the sales tax treatment of frac tank leases. Set forth verbatim are the facts presented along with the response thereto.

Facts:

Our company rents frac tanks to clients in the natural gas industry in Oklahoma for the purpose of fracturing gas wells. The frac tanks contain water, sand and additives and are connected to pumps that inject these materials into the wellbore during the fracturing process. For all practical purposes, the frac tanks function as an integral part of the extraction and recovery process without which the process would cease.

While rental equipment is generally subject to sales tax, the rental of frac tanks, considering the direct nature of their role in the gas extraction process, may be exempt in Oklahoma as is the case in other states.

Response:

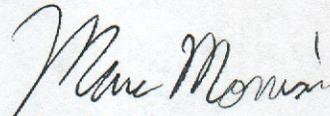
Generally, charges for the rental of frac tanks are subject to sales tax. 68 O.S. § 1354. However, leases of twelve months or more in which the owners of the frac tanks have paid the vehicle excise tax pursuant to Section 2103 of Title 68 are exempt from the levy of sales tax. 68 O.S. § 1355(6).

This response applies only to the circumstances discussed in your written request of February 29, 2012. 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 that reads "Marc Morrison".

Marc Morrison
Tax Policy Analyst